

**EMPLOYMENT RELATIONS  
RESEARCH SERIES NO. 120**

Insured Advice Pilots: Evaluation

CRAIG BARRATT

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# Insured Advice Pilots: Evaluation

BY

CRAIG BARRATT

# About Labour Market Analysis & Minimum Wage

Labour Market Analysis & Minimum Wage is a multi-disciplinary team of economists, social researchers and statisticians based in the Labour Market Directorate of the Department for Business, Innovation & Skills (BIS).

Our role is to provide the evidence base for good policy making in employment relations, labour market and equality and discrimination at work. We do this through:

- Conducting periodic benchmark surveys
- Commissioning external research reports
- Conducting in-house research and analysis
- Assessing the regulatory impact of new employment laws
- Monitoring and evaluating the impact of government policies

We publicly disseminate the results of this research through the BIS Employment Relations Research Series and other publications. For further details of the team's work, including PDF versions of all our publications, please see our web pages at:

<http://www.bis.gov.uk/policies/employment-matters/research>

## About this publication

The project manager for this report is Craig Barratt in the Labour Market Analysis & Minimum Wage Team. The report was produced in collaboration with Steve Michell, Insured Advice Pilots Operations Manager within the BIS Employment Relations Guidance and Enforcement Team.

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Please contact us at [labourmarket.analysis@bis.gsi.gov.uk](mailto:labourmarket.analysis@bis.gsi.gov.uk) if you would like to receive regular email updates on our research, new publications and forthcoming events.

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# Foreword

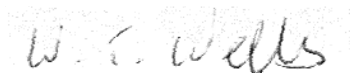
This publication was produced in July 2011 and at this time the Department for Business, Innovation and Skills (BIS) leads work to build a dynamic and competitive UK economy by creating the conditions for business success, promoting innovation, enterprise and science and giving everyone the skills and opportunities to succeed. To achieve this, we will foster world-class universities and promote an open global economy.

Within the Department the Labour Market Analysis & Minimum Wage team provides the evidence and information that underpins policy making and delivery in the Labour Market Directorate. This involves an extensive programme of analysis, research and evaluation on areas including domestic and European employment legislation; labour market flexibility and diversity; employment and industrial relations; and monitoring developments in Acas and other organisations in the employment relations area.

This report presents the evaluation of a pilot that provided access to insured advice services to small and medium sized enterprises. The project was undertaken following recommendations from an independent review of employment and health and safety regulations and the pilot aimed to thoroughly test whether Government has a role in such a service.

We hope that you find this report of interest. Electronic copies of this and all other reports in our Employment Relations Research Series can be downloaded from the BIS website. (We have discontinued publishing printed copies). A complete list of our research series can be found at the back of this report.

Please contact us at [labourmarket.analysis@bis.gsi.gov.uk](mailto:labourmarket.analysis@bis.gsi.gov.uk) if you would like to receive regular email updates on our research, new publications and forthcoming events.



Bill Wells

Deputy Director, Labour Market Analysis & Minimum Wage

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The Central Office of Information (COI)

Detica  
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Composite Legal  
DAS  
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Forum of Private Business  
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# Executive summary

## **Background**

In January 2009, the Anderson Review “The Good Guidance Guide: taking the uncertainty out of regulation”<sup>1</sup> made twelve recommendations which aimed to increase the certainty, accessibility and clarity of employment law guidance given to Small and Medium sized Enterprises (SMEs).

The Anderson Review also recommended that:

*“The Government should provide access for SMEs to a tailored, insured advice helpline on employment and health and safety regulations and provide free access for one year from the point of first contact”*

The Anderson Review concluded that SMEs want greater certainty in the advice they receive. The report argued that existing Government services do not provide the certainty that SMEs want and that insurance was one way of delivering certainty. Insured advice provides certainty by guaranteeing to cover the employer’s legal costs and the cost of employment tribunal awards, if the employer has disclosed all relevant facts and followed the insurer’s advice.

The Government committed to addressing the question of whether or not there was a role for Government to play in promoting insured advice. BIS (then the Department for Business, Enterprise and Regulatory Reform) worked with Acas, HSE and the private sector to develop an approach to piloting insured advice for employment and health and safety regulations. The pilot was run from September 2009 to November 2010.

## **Aims and objectives**

The project aimed to test the recommendations of the Anderson Review in a systematic way by investigating the following areas:

- Is there a failure with the existing market for insured advice?
- Are there reasons other than market failure that reduce SME take-up of insured advice?
- Can Government intervene effectively to address the problems?
- Do SMEs benefit significantly from using insured advice compared to other forms of advice available to them?

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<sup>1</sup> The Good Guidance Guide: taking the uncertainty out of regulation, January 2009, <http://www.bis.gov.uk/files/file49881.pdf>

Phase 1 of the project included initial market research and an assessment of the impact of awareness raising. Phase 2 involved the testing of two delivery models. The Open Market Campaign (OMC) provided a £50 subsidy to be redeemed with providers selected by the user. The No Wrong Door (NWD) model involved the Acas and HSE helplines offering a 6 month free policy with one of two insured advice providers pre-selected by BIS.

### ***Headline Findings***

- The OMC pilot received 1,483 registrations from SMEs but none of these went on to purchase an insured advice policy with the insured advice providers. The NWD pilot received 447 registrations and 253 went on to register with their insured advice provider for a 6 month free policy.
- The Anderson Review in its assessment of the insured advice market highlighted five potential “market failures”. These were: awareness; cost; quality of service; annual subscriptions; and uncertainty over services. These issues were tested throughout the process. Three of the five market failures identified were not upheld when tested.
- Awareness, quality of service and uncertainty over services were not upheld as market failures whilst cost and annual subscriptions were found to be potential barriers for SMEs in considering insured advice policies.
- Through the process, the value of insured advice to SMEs and attitudes to compliance emerged as issues that influence SME’s decisions on whether to use insured advice. A perceived lack of need for this particular type of advice was evident at all stages of the process and this may be linked to high levels of confidence in compliance, apparent satisfaction with existing advice sources and an inclination to address employment regulation in a reactive rather than systematic way.
- Overall there was a high level of satisfaction amongst businesses that have used insured advice with the quality of advice they have received. Qualitative research indicated that SMEs who used the service were satisfied and described how the advice was clear. Cost and perceived need are greater barriers to policy renewal rather than the service they had received.
- The information collected throughout the pilot indicates that there is little unmet demand for insured advice and that there is no role for Government in proactively promoting this service. However, Government information services such as Businesslink (or its successor) should provide information on the availability of insured advice. Lack of need and cost appear to be the main determinants of the low levels of take-up of insured advice under the pilot and the process has been effective in testing the initial assumptions.

- Given the low levels of take-up in the NWD and OMC pilots the benefits that might have been realised by SMEs could not be fully evaluated.

The pilot process uncovered helpful information about SME approaches to information and compliance. This information, along with the main pilot findings, have given greater insight into the preferences and practices of SMEs which could be addressed through the following policy approaches:

- Greater promotion of a “one stop shop” for information and advice about employment law issues.. This could be through enhancements to the government’s Business Link web service (or any successor), and more publicity for its role as a single portal for businesses. More might also be done to promote awareness of the Acas national advice line service amongst smaller SMEs.
- More tailoring of web-based content to reflect the needs of different sized businesses and the challenges each face. There appears to be demand for information and guidance to help employers deal with specific employment “events” or “problems.
- A review of existing legal obligations to see if they can be made simpler for smaller businesses to comply with thereby saving time and reducing uncertainty. The Government is already responding to demands for regulatory simplification. It has embarked on a cross-departmental Employment Law Review which will look at different areas of employment law on a rolling basis over the lifetime of the current Parliament. There is also substantial activity on exploring the extent to which the regulatory burdens of health and safety regulation can be reduced. The Government’s “Red Tape Challenge” provides a systematic opportunity for businesses and others to challenge the regulatory framework generally. It is considering both health and safety and employment law.

# 1. Introduction

## 1.1 Background

In the UK, the enforcement of individual employment rights is mainly predicated upon employees' and workers' awareness and knowledge of their employment rights and their preparedness to take action to maintain and enforce those rights. Great importance is placed on raising the level of awareness amongst employees, workers and employers about employment rights, sign-posting where to go to get information and advice and what to do when employment rights issues arise.

The most basic rights, however, such as the right to the national minimum wage and agency worker protections, are enforced by a number of different government agencies. The Government has a role in ensuring that the law is as straightforward as it can be, and that high quality guidance is available to support compliance.

Free advice on employment matters is available from a number of government and non-government sources. The Advisory, Conciliation and Arbitration Service (Acas) national number, for example, provides in-depth telephone advice on employment law, employment relations and the resolution of workplace disputes (including the employment tribunal process). The Pay and Work Rights Helpline provides information and access to enforcement in relation to the Government enforceable employment rights. Comprehensive online advice is available for workers and for business from [www.direct.gov.uk/employment](http://www.direct.gov.uk/employment) and [www.businesslink.gov.uk/employingpeople](http://www.businesslink.gov.uk/employingpeople). Citizens Advice Bureau can provide face to face advice.

Effective guidance helps increase confidence of compliance, protection for workers, reduces business costs and minimises the disincentives to taking on staff. Significant progress has been made in improving employers' experience of employment law guidance, through BusinessLink.gov – the governments' information portal for businesses. Produced with the business - particularly small business - user in mind, the guidance covers all aspects of the employment lifecycle with guidance on what businesses should do to maintain compliance with the law. However, business perceptions of the scale of the burden of complying with employment law remain unfavourable.

Advice and guidance on health and safety are freely available from the Health and Safety Executive (HSE). For example, the "Health and Safety Made Simple" website is aimed at small and medium sized employers in low risk businesses<sup>2</sup>. This takes employers quickly through basic health and safety

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<sup>2</sup> <http://www.hse.gov.uk/simple-health-safety>

duties describing in plain English “what to do” and “how to do it”. Where necessary, the guidance signposts more detailed help and industry-specific advice. Many employers turn to health and safety consultants for professional help. HSE has supported professional bodies to develop the Occupational Safety and Health Consultants Register (OSHCR). The register provides businesses with easy access to advice from consultants qualified to a professional standard recognised by the participating bodies in the registration scheme.

In January 2009, the Anderson Review “The Good Guidance Guide: taking the uncertainty out of regulation”<sup>3</sup> made twelve recommendations which aimed to increase the certainty, accessibility and clarity of employment law guidance given to Small and Medium sized Enterprises (SMEs). Many of these were practical recommendations with a focus on quick improvements that could be made to existing Government guidance.

In addition to suggesting ways in which Government guidance could be improved, the Anderson Review also recommended that:

*“The Government should provide access for SMEs to a tailored, insured advice helpline on employment and health and safety regulations and provide free access for one year from the point of first contact”*

The Anderson Review concluded that SMEs want greater certainty in the advice they receive. Existing Government provided services (such as those provided by Acas and HSE Infoline) were seen to offer information, guidance and some advice about employment and health and safety regulations. However, the Anderson Review argued that these services did not provide the certainty that SMEs want and that insurance was one way of delivering certainty. Whilst many SMEs have access to tailored insured advice – through membership of profession bodies or Trade Associations – many are not aware of the availability of this type of advice or perceive cost to be a barrier to take up. The definition of insured advice used is given in Box 1.

The Anderson Review estimated that access to an insured advice helpline could save businesses more than £40 million per year by increasing their level of compliance with employment regulations. It could reduce costs to government of operating the tribunal system by more than £1.75 million. And it could save up to £9 million for employees in legal costs, if they did not incur the treatment that would induce them to take their employer to a tribunal.

The Government response<sup>4</sup> accepted this recommendation in part and committed to developing an approach to test the Anderson proposition, the key question being whether or not there was a future role for Government to play in promotion of insured advice. BIS (then the Department for Business,

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<sup>3</sup> The Good Guidance Guide: taking the uncertainty out of regulation, January 2009, <http://www.bis.gov.uk/files/file49881.pdf>

<sup>4</sup> Government Response to the Anderson Review, March 2009, <http://www.bis.gov.uk/files/file50352.pdf>

Enterprise and Regulatory Reform) committed to working with Acas, HSE and the private sector to develop an approach to piloting an insured advice helpline for employment and health and safety regulations.

Whilst there were anticipated benefits in providing access to insured tailored advice, there were a number of assumptions that needed to be tested before a service could be established. The piloting phase, the focus of this evaluation, aimed to test these assumptions and to mitigate the risks of uncertainty about the nature and impact of the market failures identified in the Anderson Review.

The pilot's aims were to provide tailored advice, an incentive to seek and follow advice and simplified access to this advice. It looked to build on existing Government-funded information services and ensure that any new service complemented these services, in particular those provided by Acas and the HSE.

Government services currently focus on the provision of regulatory information and guidance. Some tailored advice is provided by Local Authority health and safety inspectors and Acas but they do not provide an opinion on the best course of action for an individual SME. Given the current absence of government service in tailored insured advice a robust assessment of this market and whether government has a role was particularly important. The following section discusses the aims and objectives of the pilot and how each activity contributed to answering these questions. A variety of data was collected throughout this process to develop sound conclusions and the evaluation framework is described in section 1.3.

#### **Box 1: What is insured advice?**

Following an issue raised by a business the provider will identify a recommendation as to the most appropriate course of action for an SME to follow, given their individual circumstance.

As long as the SME has fully disclosed all the relevant facts and follows this advice the provider will cover any associated legal costs the SME incurs, and/or awards against the SME from an Employment Tribunal

The SME is covered regardless of whether or not the advice from the provider was held to be correct or incorrect, and will be given the necessary help and reimbursement of costs in a timely manner by the provider.

## **1.2 Pilot design**

In response to the recommendations of the Anderson Review the Department for Business, Innovation and Skills (BIS) initiated a scoping study to investigate the options available to address the recommendation. The study aimed to assess the current demand and supply of insured advice, validate the benefits and identify what was needed to test the recommendation robustly. Throughout this process a wide range of private and public sector

bodies were consulted to understand the nature of the industry and to provide an opportunity for these bodies to raise their requirements and concerns.

A key question in determining what course of action BIS should take to implement the Anderson Review recommendation was 'what are the current market failures preventing SMEs from accessing tailored, insured advice?' The independent Anderson review indicated that the following market failures were likely:

- *Awareness* – SMEs are not aware that insured, tailored advice is available to them in the private sector, and furthermore that many might already be able to access this advice via their existing company insurance.
- *Cost* – the cost of getting tailored, insured advice from specialist providers in the marketplace may be beyond the means of many SMEs, particularly at the micro scale – those with less than 10 employees.

The Anderson review had a wide remit assessing how to improve the guidance Government gives to business and specifically SMEs. The review met over 90 businesses and commissioned IPSOS Mori to conduct a businesses survey on Government guidance<sup>5</sup>. The scoping study used this evidence in developing the rationale for further investigation and the design of the insured advice pilot. However, this research was not conclusive on exactly what the market failures in this sector were and this was something which must be tested during the piloting phase.

It was felt that there could also be other aspects to the market failure which might include:

- *Quality of Service* – SMEs not being confident that existing private sector market provides the required level of service and quality.
- *Annual subscriptions* – most providers work on this basis. SMEs may not want to commit to a long term service that they have not tried and tested.
- *Uncertainty over services* – for SMEs who have not used these types of services before there may be a large degree of uncertainty as to exactly what can be provided and how beneficial it will be.

In essence, the Anderson review highlighted the value some SMEs were getting from such services, but was not able to quantify in detail the demand for these services or precise benefits that would be generated to SMEs should they use them.

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<sup>5</sup> The Good Guidance Guide: taking the uncertainty out of regulation, January 2009, <http://www.bis.gov.uk/files/file49881.pdf>



Following the scoping study the programme aimed to test the recommendation through the implementation of a pilot program. The program had the following objectives (shown in greater detail in table 1.1):

- To test the exact nature of any market or customer failing concerning the provision and use of insured advice.
- To test the effectiveness of different types of government intervention
- To test the benefits for SMEs from using insured advice

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**Table 1.1: Pilot objectives**

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**Testing current market environment**

- What are the barriers to the take-up of insured advice?
- Which SME segments have most demand?
- What is the value of insured advice compared with uninsured advice?

**Testing the effectiveness of interventions**

- Is there a need for quality assurance in the market?
- What is the effect on take-up of offering the service for free, as opposed to subsidised rates (or at market rates)?
- What is the effect on take-up of Government endorsement of services (and delivery through Government channels)?

**Testing benefits realised by SMEs**

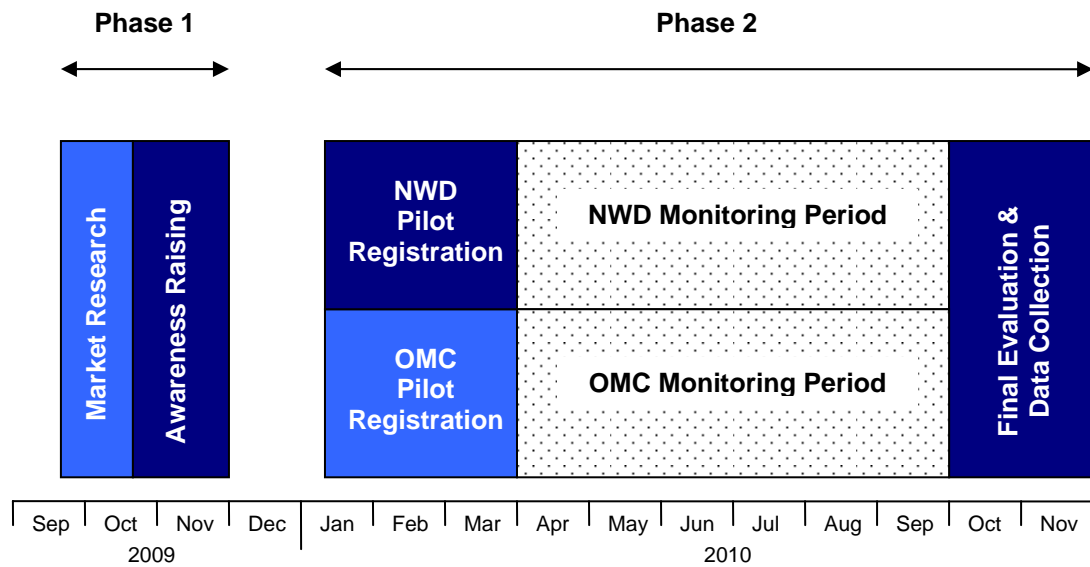
- Removing unnecessary cost and effort to comply (primary benefit)
  - Increase the % of SMEs that feel confident about how to comply (primary benefit)
  - Stimulate employment levels amongst small enterprises (secondary benefit)
  - Reduce the % of cases that reach Dispute Resolution and to Employment Tribunal (secondary benefit)
  - Reduce the number of health and safety enforcement cases in SMEs (secondary benefit)
  - Support growth of SMEs through an increased awareness of health and safety regulation (secondary benefit)
  - More rapidly move SMEs from reactive to proactive compliance (secondary benefit)
- 

The scoping study highlighted a number of gaps in current knowledge of the insured advice market and how SMEs may benefit from insured advice services. In light of this the pilot was designed in two phases, which together would build an evidence base to support evaluation against the objectives above and the effectiveness of interventions and delivery approaches:

- Phase 1: National Market Research and Awareness Raising
- Phase 2: No Wrong Door Pilot (NWD) and Open Market Campaign (OMC)

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**Figure 1.1: Pilot timeline**



### 1.2.1 Phase 1

**National Market Research** – The market research conducted as part of the Anderson Review focussed on a broad range of topics and data collected specifically on the insured advice market was limited. In order to ensure that the pilots addressed the market failures identified in the report, and identified the most effective steps to mitigate them, a short period of market research was undertaken.

A telephone survey of 1,152 SMEs was conducted between 17th September and 23rd October 2009 across a representative sample of business (by size, region, and sector) in the UK with 0 to 250 employees<sup>6</sup>. The focus was to establish a baseline understanding of the SME insured advice environment across the UK including:

- Current usage levels of insured (and uninsured) advice
- Confidence in current compliance with regulations
- Motivations and barriers to taking such advice
- Perceived benefits of the advice
- Attitudes to, and likely take-up of an insured advice service

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<sup>6</sup> Full methodology is available in Annex B

The sample for this survey was designed to be robust in terms of the number of SMEs interviewed by size and sector band in order to allow for analysis by key sub-groups. The results were then re-weighted to ensure that the findings were representative of the SME population as a whole across the UK.

**Awareness Raising** – The Anderson Review identified awareness as a market failure, therefore it was important to test this assumption in isolation of any major intervention. The aim of the awareness raising was to aid the design of the subsequent phase 2 pilots, for example, if the market failure was that SMEs were aware of services and providers but had low levels of confidence then a Phase 2 pilot focussing on strong marketing would be less effective.

The awareness raising was designed to test the impact of a simple marketing campaign on SME awareness and use of insured advice. The activity took place in the East Midlands region between the 27th October and 10th November 2009 and comprised a letter and following email to SMEs. The letter was sent from BIS to 59,400 businesses, highlighting the potential benefits of Insured Advice, with details of a website where businesses could find out more about this form of advice and the companies that provide it. There was no specific offer, or timeframe, quoted in the letter.

The marketing was timed as to not interfere with SMEs surveyed as part of the National Market Research. Following the marketing activity 500 businesses who had received the marketing material were surveyed by telephone<sup>7</sup>. A comparison with the National Market Research results for the East Midlands region was used to assess any changes in awareness and use of insured advice.

### **1.2.2 Phase 2**

The National Market Research and Awareness Raising in Phase 1 provided valuable insights into the insured advice market and subsequent demand amongst SMEs (discussed in chapter 2). The results of the phase 1 activities helped to provide further detail and build on the research of the Anderson Review. The phase 1 evidence validated the barriers to take-up of insured advice therefore if government were to proceed in fulfilling the Anderson Review recommendation the delivery model used would need to take into account these barriers to ensure an effective service which reached those with a need.

Phase 2 consisted of two pilot delivery models, each aimed to provide an insured advice service to businesses but varying in the way customers would be offered the service. The pilots were designed to test different delivery models to attempt to address the key barriers of awareness, cost and concerns over quality of service.

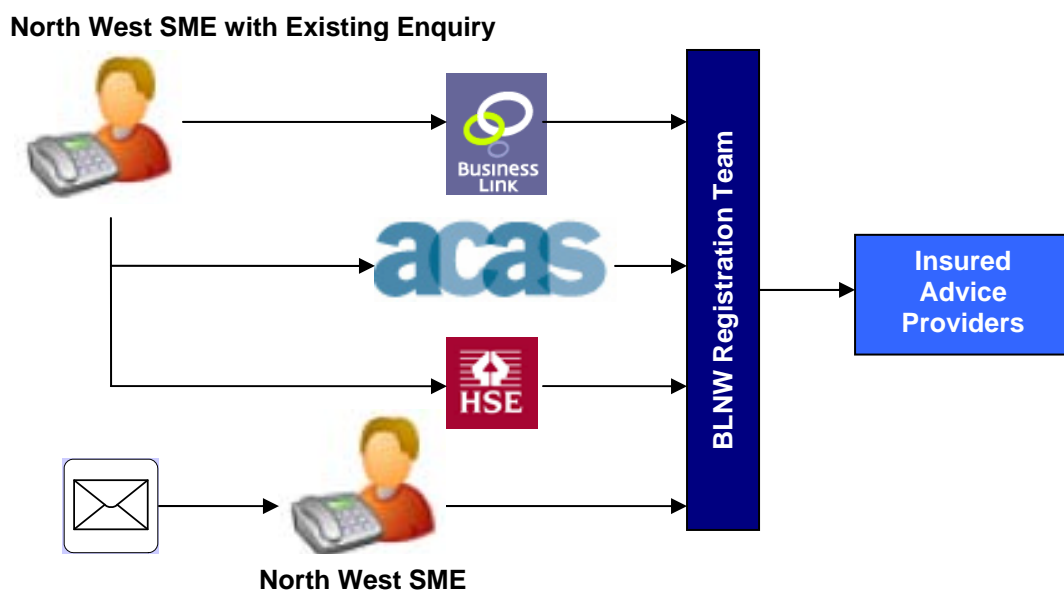
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<sup>7</sup> Full methodology is available in Annex B

**No Wrong Door (NWD) Pilot** – The NWD pilot aimed to provide a service whereby an SME could have access to tailored, insured advice when seeking advice and guidance on employment or health and safety issues. The pilot offer of a free six month insured advice policy was made to businesses by referring SMEs from existing sources of government advice onto the pilot and through marketing within the North West English region. This model aimed to address the barriers of cost and awareness. The existing providers of advice were the Advisory, Conciliation and Arbitration Service (Acas), the Health and Safety Executive (HSE) and Business Link North West (BLNW).

Figure 1.2 shows the registration process where an SME could take action as a result of the marketing and contact the BLNW registration team. An SME could also be informed about the pilot via Acas, HSE and the existing BLNW helpline. Referrals to the pilot registration team were made by Acas, HSE or BLNW for callers who advisers thought would potentially benefit from this service and who passed eligibility criteria of being based in the North West, had less than 250 employees and did not currently hold an insured advice policy. Once SMEs had agreed to take part in the pilot their details were passed to one of two insured advice providers, Peninsula Business Services (Peninsula) or Forum of Private Business (FPB) who then contacted the SME within 2 working days to initiate the free six month policy.

**Figure 1.2: No wrong door pilot design**



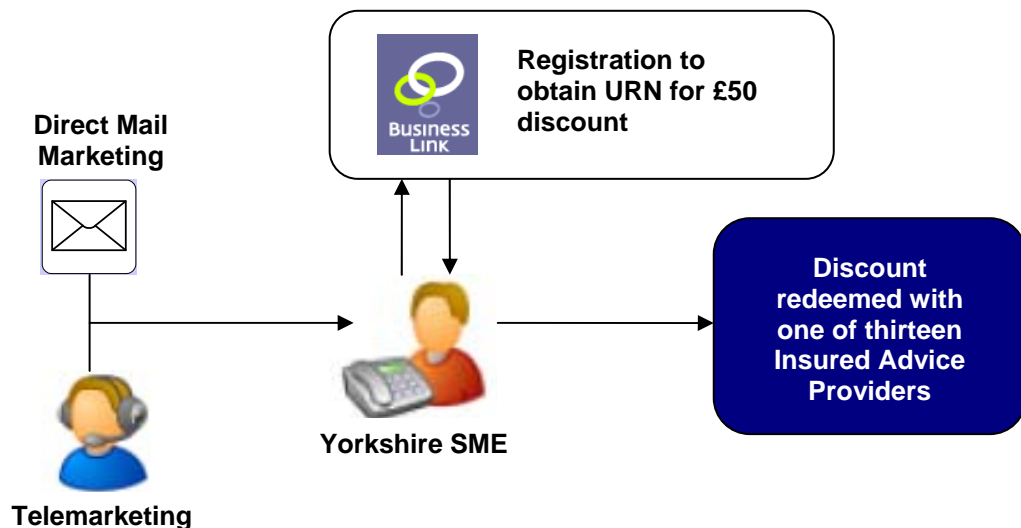
The marketing was sent to 22,500 SMEs with 0-250 employees (approximately 5 per cent of the total North West SME population) and consisted of a letter describing the pilot and the offer of a free six month insured advice policy. The registration window for SMEs to take part in the pilot ran from 11th January 2010 to 31st March 2010. Following this SME's policy usage and the service provided was monitored over the duration of the six month policy.

The NWD pilot aimed to test the impact of removing the barrier of cost on take up of insured advice policies. The NWD pilot addressed the issue of awareness by through the use of marketing at the beginning of the registration period. Finally, the NWD pilot aimed to address the question of using government advisory services to promote an insured advice service compared with an open market approach, discussed below.

**Open Market Campaign (OMC) Pilot** – In comparison with the NWD pilot the OMC pilot aimed to test the effectiveness of a discounted insured advice policy by marketing to the Yorkshire and Humber region and then allowing the SME to choose a provider from the open market. The OMC pilot aimed to test the benefits and limitations of raising awareness of insured advice through periods of marketing and then assessing how the market operated in satisfying any stimulated demand. The OMC pilot had a wide range of providers rather than the promotion of a particular insured advice provider as tested in the NWD pilot.

Whilst this pilot aimed to test the effectiveness of the open market, the providers of insured advice were firstly invited to apply to take part in the pilot. This process was conducted to ensure that the providers had the necessary credentials for providing advice and that the products on offer fell within the scope of the Anderson Review definition of tailored insured advice. Following this process thirteen providers and products were designated as accredited insured advice products for the pilot.

**Figure 1.3: Open market campaign pilot design**



Note: URN = Unique Reference Number. Used to verify the details of the SME when taking out a policy with a provider

Figure 1.3 shows the OMC pilot design; the pilot ran from 11<sup>th</sup> January to 31<sup>st</sup> March 2010 and following the registration period it was planned to monitor the usage of policies over the following 6 months. The marketing for the OMC pilot consisted of direct mail to 30,407 SMEs, direct mail and follow up emails to 9,700 SMEs and telemarketing to 30,408 SMEs. SMEs were informed

about the pilot operating in their region and were also given an overview of insured advice and how this could potentially help their business.

The letter directed SMEs to a website or telephone number hosted by Business Link Yorkshire where SMEs were given further information about the pilot including a list of providers and product costs. To receive a £50 voucher to be redeemed against an insured advice policy, SMEs were required to complete an online registration form providing basic information about their business. The pilot was restricted to 4,500 registrations; if this number was reached then the pilot would close before the 31<sup>st</sup> March 2010.

Upon registration at the website or via the phone line the SME was provided with a Unique Reference Number (URN) and an information pack containing:

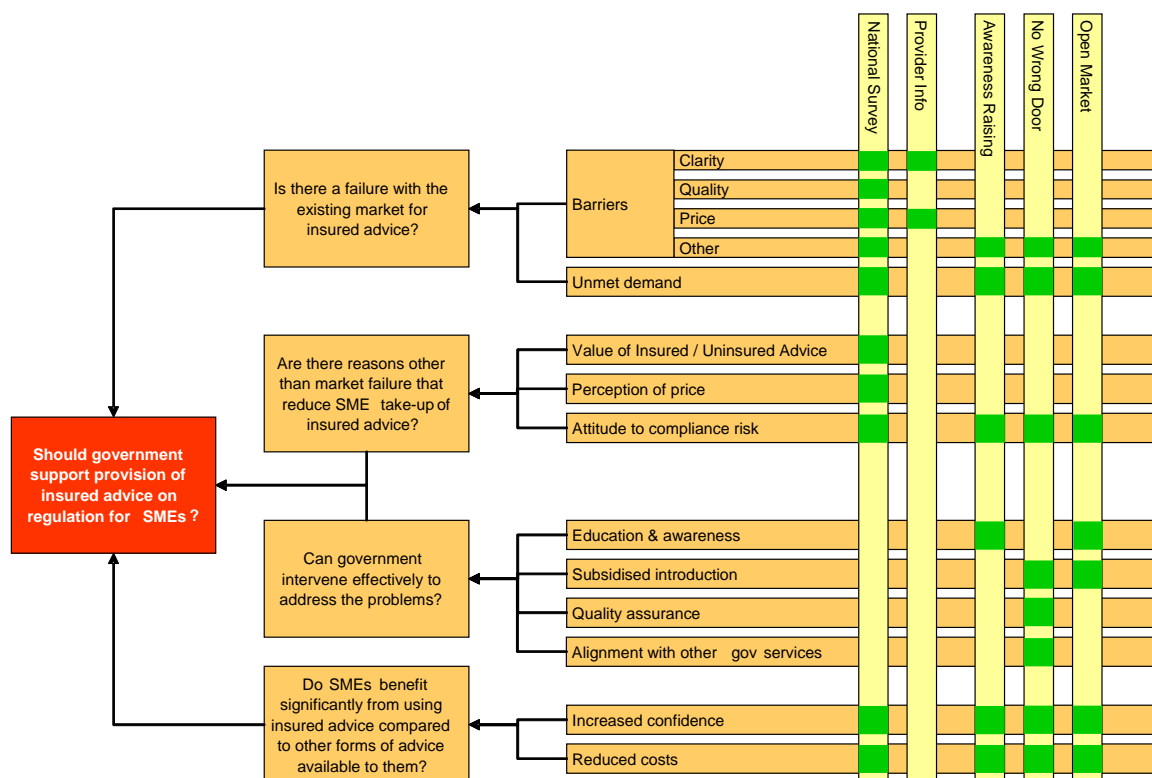
- A List of providers and their contact details
- Insured advice product information
- A Unique Registration Number (URN)
- Next Steps

Following provision of the information pack the onus was on the SME to review and decide which, if any, they would like to approach to discuss and take out an insured advice policy. To ensure that the SME was a registered business with the pilot the URN was used to validate their details before the policy could be purchased and the discount redeemed.

### **1.3 Evaluation framework**

Through the activities described in section 1.2 a rich set of information was obtained through a range of data collection methods at regular stages of the pilot. The evaluation framework ultimately aimed to provide evidence to test the recommendation of the Anderson Review and help decide whether government should support the provision of insured advice for SMEs. The framework and data sources below were collected to answer specific aspects of the pilot objectives shown in Table 1.1. Figure 1.4 gives a summary of how the pilots and data collection fits with the objectives of the pilot.

**Figure 1.4: Relationships between evaluation objectives and activities**



**National Survey** – The market research survey provided the main source of data to investigate the potential barriers SMEs perceive to take up of insured advice. Figure 1.4 shows how the national survey also provided data on SMEs perceived value of insured advice, perceptions of price and attitudes to compliance which aided evaluation of the reasons why an SME may or may not purchase such a policy. Finally, the market research acted as a measure of the potential benefits of using insured advice and the survey provided data on SMEs experience of using insured advice.

**Provider Information** – In order to assess the current status of the market data was also collected from insured advice providers on the clarity and price of policies in the market.

**Awareness Raising** – the awareness raising collected a range of data through a second survey of 500 SMEs, with up to 250 employees, in the East Midlands who had received marketing material promoting and raising awareness of insured advice. The survey collected baseline data on usage of insured advice and SME perceptions of various barriers but also collected data on whether SMEs took any action after receiving the marketing and whether this changed their perceptions of insured advice. In addition to the survey data operational data was collected on how many visits had been made to the website contained in the marketing and how many SMEs took out an insured advice policy as a result of the awareness raising.

**No Wrong Door** – the no wrong door pilot collected a range of data to support the evaluation of the pilot. These can be split into two main groups, the first describes the operational data that was collected during the course of the registration period and includes:

- Pilot Referrals – The number of call referrals made to the registration phone line from Business Link North West, Acas and the HSE. This includes the total number of referrals offered to SMEs and the number accepted or rejected. The data also includes the baseline national and regional call volumes for each organisation.
- Pilot Registrations – The number of SMEs registered to take part in the pilot – including company size, industrial sector, the age of the company and how they heard about the pilot provided by the Business Link North West registration team.
- Provider Policy Registrations – The number of SMEs who have taken out a policy as a result of the pilot process including the policy purchased and the duration of the policy.
- Calls Data – The number of calls received on the registration phone line and the number of calls diverted from each of the other organisations.
- Rejection Reasons – When an SME rejected the offer of a place on the No Wrong Door pilot or they rejected the offer of a referral the reason for this rejection was recorded.

The second group of data collection activities aimed to collect non-administrative data and follow-up administrative data that would feed into the final evaluation, including:

- Policy Renewals – Providers gave details of the number of SMEs who had renewed their policy following the end of the free 6 month period.
- Policy Activity – Providers gave details on the contact volumes for people who had taken out a policy under the pilot.
- Quality Assurance – A random sample of calls and other means of contact between the policy holder and provider were reviewed by a group of independent specialists who assessed the quality of advice against 3 main categories; the quality of advice the relevance of advice and the clarity of communication.
- Qualitative Interviews – Interviews were conducted with SMEs who had either rejected the offer of the pilot or accepted and taken out a policy. The interviews aimed to investigate the reasons why SMEs took either decision along with broader issues on approaches to compliance. The interviews also included some SMEs who were not involved in the pilot. This was to give further understanding of perceptions of insured advice



and further detail on business attitudes to compliance and employment law guidance.

**Open Market Campaign** – the open market campaign pilot collected a range of data to support the evaluation of the pilot, these include:

- **Pilot Registrations** – The number of SMEs registered to take part in the pilot – including company size, industrial sector, the age of the company, how they heard about the pilot and how they registered for the £50 voucher. The registration data was provided by the Business Link Yorkshire registration team.
- **Marketing Activity** – The number of direct mail letters, emails and telemarketing calls made to SMEs in the Yorkshire and Humber region promoting the pilots and how to register.
- **Website Activity** – The number of hits on the Business Link North West registration portal, including the number of hits made on information pages for each of the policy providers.
- **Provider Policy Registrations** – The number of SMEs who have taken out a policy as a result of the pilot process including the policy purchased and the duration of the policy.
- **Mid Registration Telephone Survey** – A survey of 250 SMEs who registered with the pilot were contacted to answer a short questionnaire on the reasons for their decisions, how they found the process and their future intentions.

Data from these sources are discussed throughout the following chapters and more information about methodology and timing can be found in Annex B.

## 1.4 Report outline

The results and findings of the pilot activities are discussed in the following chapters:

**Chapter 2** – assesses the outcomes of the pilots in regards to testing the market environment for insured advice. This chapter was originally produced as an interim-evaluation by Detica and edited by the author for inclusion in this final evaluation. The chapter discusses the results of both the National Market Research and Awareness Raising which both investigated the barriers to take up of insured advice and also the effect of removing the perceived barrier of awareness. The chapter continues to discuss analysis of demand and which sectors and firm sizes appear to show more demand than others. Finally in the context of testing the market environment the value of insured advice compared with uninsured advice is considered.

**Chapter 3** – evaluates the effectiveness of the interventions undertaken as part of the pilots. The NWD and OMC pilots are discussed with an evaluation

of the effect of offering services for free rather than subsidised and the strength and limitations of the two intervention designs of government endorsement versus open market.

**Chapter 4** – will use the information collected throughout the pilot to appraise the potential benefits to SMEs resulting from the insured advice pilots. This chapter focuses on the primary benefits of removing unnecessary cost and effort to comply and also whether SMEs feel confident about how to comply.

**Chapter 5** – Finally this evaluation will conclude with the main findings of the pilot and an assessment of the role of government in supporting the provision of insured advice for SMEs.

# 2. Testing the current market environment

This chapter was originally produced as an interim evaluation by Detica and edited by the author for inclusion in this final evaluation. This section examines the information available from each of the data sources in order to develop a more thorough understanding of the insured advice market environment. In particular, this information is used to address the following objectives:

- What are the barriers to the take-up of insured advice?
- Which SME segments have most demand?
- What is the value of insured advice compared to uninsured advice?

The original research used in developing the recommendations for the Anderson Review was necessarily broad, and therefore did not provide the detailed insight into the current insured advice market that was required to fully inform any government intervention in this area. This first phase of the insured advice helpline pilots therefore needed to examine the existing environment in more detail to understand if any other facets of the market or SME attitudes needed to be taken into account.

The second phase tested these findings through the use of two pilot programs and through the evaluation framework. The following chapter provides greater detail and evidence on these three questions.

## 2.1 What are the barriers to the take up of insured advice?

### ***Current awareness of insured advice***

The Market Research, carried out with businesses with between 0-250 employees, found that overall awareness of insured advice across the UK is around 22% of SMEs. The benchmark for awareness of insured advice in the Awareness Raising region before any intervention was also 22% in businesses with no employees and 34% in businesses with one or more employees (Table 2.1). Following the direct marketing campaign, awareness increased to 25% in businesses with no employees, but fell by 2 percentage points to 32% in businesses with employees. Overall, this would indicate that the campaign did not have a statistically significant effect on raising awareness of insured advice through these marketing methods. More significant was that awareness increased in businesses who recalled the

marketing campaign, with 39% in the Awareness Raising aware of insured advice compared to 28% awareness for those with no recollection of the mailing.

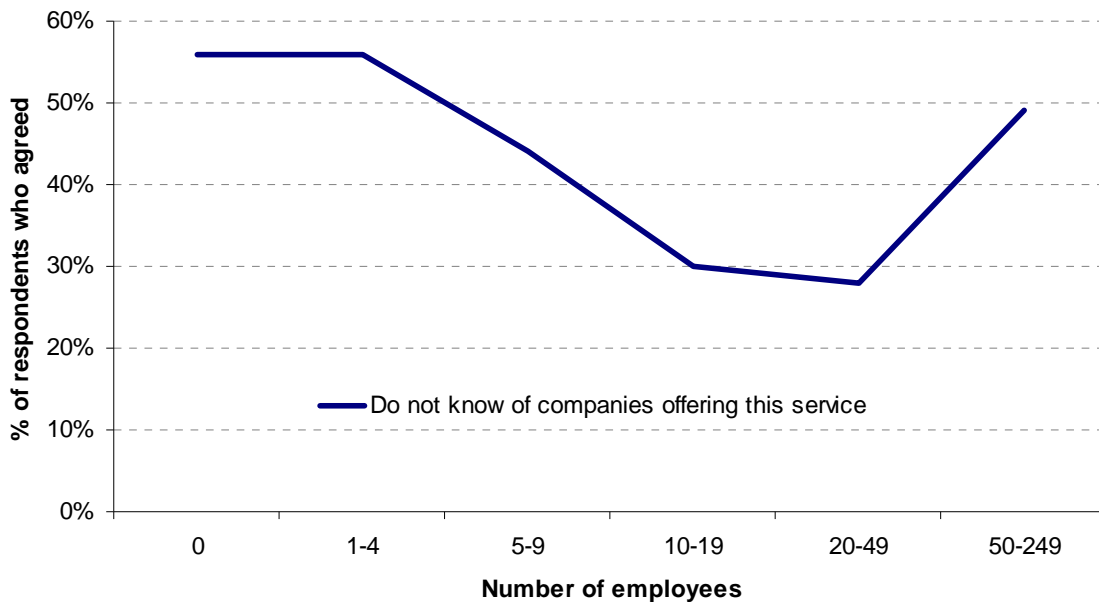
**Table 2.1: Current awareness of insured advice**

	Market Research	Awareness Raising Benchmark	Awareness Raising
Overall awareness	22%	25%	30%
Without employees	19%	22%	25%
With employees	32%	34%	32%

Source: National Market Research and Awareness Raising Questionnaires

Awareness was higher in SMEs with employees (at 32%) compared with those without (at 19%). In general, businesses with 10-49 employees are more likely to be aware of insured advice (Figure 2.1). This correlation between size of company and awareness is most likely explained by the increased complexity for larger businesses of ensuring compliance for a larger workforce, and so a greater need to look at the range of business advice services available. Lack of awareness begin to increase again in larger SMEs in the 50-249 group indicating that insured advice services or products may be best suited to the medium sized SMEs.

**Figure 2.1: Current awareness of insured advice by SME size**



Source: National Market Research

### **Confidence amongst SMEs**

The SMEs interviewed during Phase 1 of the programme were asked about their expected growth in turnover and employment levels. This was used as

an indication of business confidence and provided a context for the wider views and opinions of the SMEs interviewed. This is particularly pertinent when investigating any perceptions around cost and need as barriers to the take up of insured advice.

Although many companies expected turnover to increase in the next 2-3 years, less expected the number of people they employ to increase, suggesting a focus on cost containment and efficiency improvements. Overall confidence in growth prospects appears to have decreased between September and November 2009.

In the Market Research, over half of all businesses interviewed were expecting to grow by 20% or more in the next 2-3 years. However, 59% of interviewees expected to remain with the same number of employees. This suggests that although there was optimism about growth prospects, there was also a reluctance to increase current operating costs and that growth in the short term would be achieved through efficiency gains.

However, the Market Research also found that the growth plans of the businesses varied significantly depending on their size. Businesses in the 20-49 employee group were most optimistic, with 34% planning to increase turnover by 20% or more and 64% looking to take on more staff. Companies with no employees were the most conservative, with 22% expecting to grow by 20%, and 32% planning to employ staff.

When compared to the Market Research findings, the businesses interviewed in the Awareness Raising were found to be less optimistic on growth expectations. Amongst business with employees, the proportion expecting to grow turnover by 20% or more in the next 2-3 years decreased to 23% (from 34% for the Market Research). There was also a decrease in expectations of taking on more staff for both zero employee businesses (from 31% falling to 17%) and businesses with employees (from 48% down to 34%).

This change is most likely accounted for by changes in the wider financial environment between September 2009 when the Market Research was conducted and November 2009 when the Awareness Raising research was completed. The Market Research report highlighted the general feeling of nervousness in the economic climate at the time.

### ***Clarity***

The Market Research included a number of questions designed to investigate the extent to which lack of awareness of sources of insured advice and clarity of service offerings contributed to non-use of insured advice amongst SMEs. Complementing this process, the Awareness Raising tested whether improving the information available to SMEs about insured advice would increase take-up.

Many SMEs were not aware of any companies offering insured advice and over 40% were unsure about where they could find more information about insured advice services if they wanted it. There is evidence of some

misunderstanding among SMEs about the advice available from Acas in this respect.

Levels of awareness among SMEs about where to go to find information about insured advice services were limited. The Market Research found that 55% of SMEs did not know of a company offering insured advice. 41% of interviewees did not know where to begin to look, and 42% replied that they could get this from “Acas or elsewhere”. Awareness of companies offering insured advice was highest amongst SMEs with between 10-49 employees. This relative lack of awareness may represent a barrier to entry for businesses looking to investigate insured advice services. However, this should be considered in the context that many businesses may not see a need for insured advice and are therefore unlikely to have actively considered sources of insured advice.

The high proportion of respondents believing that they could get insured advice from “Acas or elsewhere” is potentially of interest, although some caution is required because of the potentially leading nature of the statement that interviewees were asked to respond to. However, Acas does not currently provide insured advice and it could be seen as conflicting with their core activities. It is possible that this may be due to confusion relating to the definition of insured advice, which was first introduced by the Anderson Review and further defined under the scope of this series of pilots, so was not a familiar term in the marketplace and with consumers.

Following the completion of the Awareness Raising marketing, a review of new policy data with insured advice providers participating did not identify any new policies being taken up as a direct result of the intervention. Overall there were seven recorded enquiries making reference to the pilot, none of which converted into sales. Those businesses with higher awareness of insured advice did not then convert into new insured advice policy holders. This would suggest that raising awareness of the market and its suppliers does not immediately increase take up, indicating that other barriers may also affect the take-up of insured advice.

### ***Quality***

The Market Research and Awareness Raising investigated the possibility that the quality of insured advice could be a barrier to use. Businesses in the Awareness Raising region were interviewed to determine if quality was a factor in their decision not to take up an insured advice policy.

Overall, there was a high level of satisfaction amongst businesses that have used insured advice with the quality of advice they have received. Amongst those businesses that were aware of insured advice but have not used it, quality was the least frequently given factor affecting their decision not to use this type of advice.

Overall, the Market Research found that there was a high satisfaction with the quality of advice received by businesses that have used insured advice (which 3% of the SME market had). 80% of SMEs who used insured advice were

satisfied with the quality of advice, while only 4% were dissatisfied. Of those interviewed, 8% had used it in the past, but were no longer using it at the time of the survey.

The Awareness Raising also asked SMEs aware of insured advice to provide reasons as to why they did not go on to take up the service. 13% of these responded that it was due to concerns about the quality of advice provided. This was higher than the proportion of users in the Market Research citing quality as a barrier, however it was the least quoted reason after a number of others including cost, the value of the insured element of the advice, and most predominantly the lack of need for advice for their business. This would, however, suggest that there is some potential for perception of quality as a barrier to take up, which does not emerge in those who use the service.

The Market Research and Awareness Raising surveys asked businesses if they would be more likely to use insured advice if a kitemark or other quality mark was introduced. In the Market Research, 54% of insured advice users and 43% of non-users thought it would make them more likely; however this was less overall in the Awareness Raising, at 38%. Overall, in the Market Research half of the respondents felt it would have no impact at all and less than 7% felt it would make them less likely. This would imply that a quality standard or kitemark would help to reassure a significant proportion of SMEs. The government was most often seen to be the preferred operator of such a scheme across both studies, with an insurance body next in line.

The main theme emerging about the quality of insured advice is that users are satisfied with it, in that it ensures that companies are protected in their decision making when reacting to employment or health and safety issues. The advice they receive means they can act with confidence that they will be protected from litigation against their business as they are 'doing the right thing' when it comes to legislation. The view of a small proportion of non-users was that they were concerned about the quality, and that 43% of non-users would be more likely to consider an insured advice product if it was backed by a kitemark.

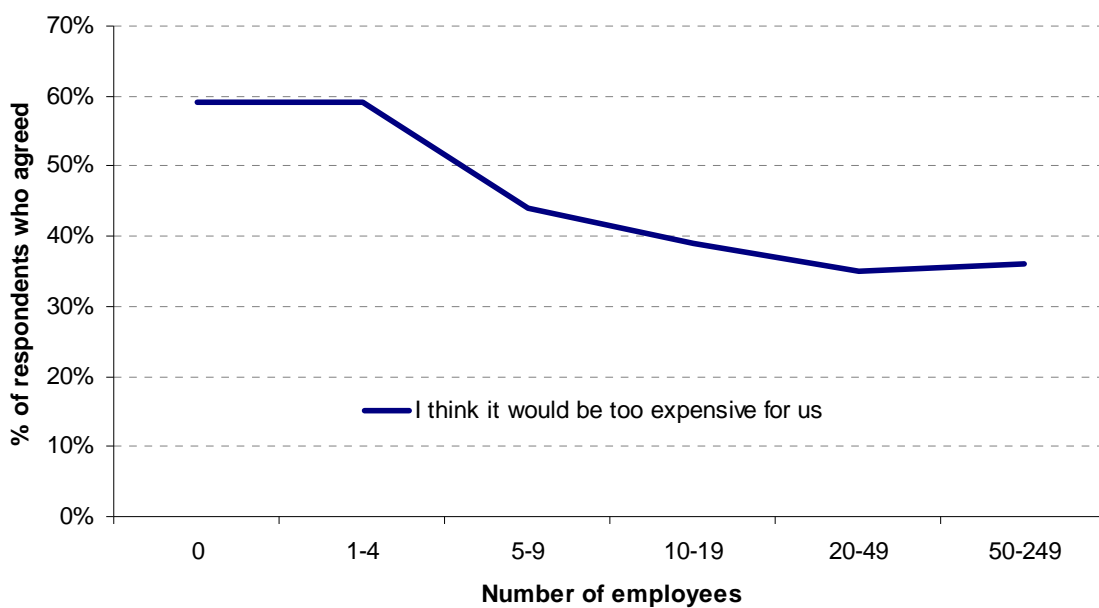
### ***Price and SME perception of price***

The Market Research asked businesses interviewed about their views on the cost of insured advice, while the Awareness Raising tested whether businesses would take-up insured advice services at current market rates. The limited interest and take-up of insured advice following the Awareness Raising, coupled with the responses of businesses rejecting the offering have provided the data sources for evaluation of price as a barrier.

Amongst smaller businesses there would be a greater interest in insured advice services if they cost no more than their current sources of external advice, however almost all businesses with less than five employees currently rely on advice which is free. This suggests that insured advice at current market prices is unlikely to be attractive to smaller SMEs.

In the Market Research, SMEs who were aware of, but not current users of insured advice, were asked about their reasons for their current non-use. The views varied between different sizes of SMEs (Fig 2.2). Amongst businesses with no employees, 59% felt insured advice would be too expensive compared with 36% of businesses with 50-250 employees. Businesses with 20-49 employees were the least likely to believe that it was too expensive (at 35%) and were also the group which had the highest use of insured advice. Cost appears to be less of a barrier as businesses become larger.

**Figure 2.2: Perception of the cost of insured advice by SME size**



Source: National Market Research

Current non-users were also asked what they would expect an insured advice service to cost for their business. Their expectations of cost increased with business size which is in line with the current market environment where prices generally scale with number of employees. The average expected cost was £450 pa; SMEs who had used insured advice estimated the cost at £740 pa, while non-users expected to pay far less at £435 on average. The cost of insured advice policies vary due to organisation characteristics such as number of employees. Therefore expected costs from users and non-users were within the range of actual insured advice policies but the average cost from non-users was significantly lower. This suggests that less well informed businesses expect insured advice to cost less than it actually does. It is interesting to compare these findings with information from the Market Research which shows that on average, SMEs pay less than £1000 pa for other forms of external advice where it is used.

The finding that many SMEs under-estimate the cost of insured advice, combined with the view of 59% of businesses interviewed that insured advice would be too expensive suggests that the price represents a significant



barrier. This perception was consistent across the two groups of non-users; those aware but not using insured advice, and those unaware. Those who had used insured advice were less likely to think it was too expensive, as expected.

In addition, 48% of companies said that they would be more likely to consider insured advice in the future if it were no more expensive than other forms of advice. This is particularly pertinent as a barrier when it was found in the Market Research that almost all of the businesses with less than five employees said that the advice they use is free. This suggests that insured advice is unlikely to penetrate the smaller SME segment significantly, when it is compared to the other sources of external advice currently used by these businesses.

Amongst business with employees, the view that insured advice would be too expensive was noticeably lower (14% down on the benchmark before awareness raising). Overall, the results suggest that smaller SMEs see less value in insured advice, possibly because of their lower likelihood of needing advice on employment issues. This may also help explain why larger businesses see it as less expensive. Even for larger businesses in the Awareness Raising sample where cost is less of an issue, the levels of use of insured advice were consistent with the Market Research suggesting that additional factors were acting as a barrier beyond cost.

Operational data from the Awareness Raising website showed that there were 127 visits to insured advice provider websites from the 606 unique visitors to the website during the period of the Awareness Raising survey. Of those who visited a provider website, there were no recorded purchases of an insured advice policy following the Awareness Raising marketing campaign. This would suggest that simply increasing access to the products at the current market price produced no immediate increase in use. The survey found that 16% of SMEs who recalled the Awareness Raising marketing did not visit the website because they perceived that insured advice would be too expensive for their business. None of the businesses interviewed that had received the marketing and visited the website went on to contact a provider, and were therefore unable to comment on the actual cost of insured advice.

Overall, while cost is seen as a significant issue for most businesses, it is less of a barrier for larger companies. This is interesting as the pricing structure of insured advice providers show that the cost of a policy is scaled with business size, and therefore increases with the size of the company. Where it was found that cost was less of an issue, use of insured advice increased.

### ***Policy Length***

The Market Research explored whether other barriers were affecting SME use of insured advice services. This identified that SMEs are reluctant to sign their business up to a long policy period. While the term 'long' could be seen to be subjective, it still elicited the most negative response from the SMEs interviewed, with 68% of businesses agreeing they were put off by signing up to a long policy. This view was consistent across the size groups; however

users of insured advice were less likely to be put off by long policy periods compared to non-users. Of those businesses with an insured advice policy, most had been users of the policy for between 2-3 years.

This reluctance could be due to the apparently infrequent nature of employment and health and safety issues occurring for SMEs which could be seen as reducing the likelihood that an SME would need specialist advice during the period covered by a policy. Of the SMEs interviewed, 26% reported experiencing health and safety issues more than once a month and 75% of these businesses required less than one day of effort per month to resolve. For employment issues, less than 10% of SMEs experience an employment issue more than once a month, with 86% of them believing it takes less than one day a month to deal with.

In terms of use of insured advice, the Market Research found that current users of insured advice use it more for employment issues (38%), such as redundancies (9%) and grievances (6%), than for health and safety issues (28%). This suggests that the types of reason businesses use insured advice for are often infrequently occurring but complex issues. This may explain why around 68% of businesses tend to seek out free external advice rather than commit to a long policy which is seen as being expensive and primarily required for infrequently occurring employment issues.

### ***Attitude to compliance risk***

SMEs are generally very confident in their compliance with individual employment rights legislation<sup>8</sup>. The majority of businesses take a reactive approach to compliance and deal with issues as they occur rather than proactively reviewing compliance. The SMEs interviewed indicated that demand for insured advice is highest for redundancy and disciplinary issues, however these occur relatively infrequently.

The combination of high confidence and a reactive approach in the majority of SMEs means that they only see a need for insured advice for a relatively small range of issues which occur infrequently, particularly in smaller businesses.

The Market Research found that confidence in compliance is high across all SME size groups with 95% confident of compliance and just 3% not confident. This suggests that a relatively small proportion of SMEs in the UK are unsure that they are compliant with either health and safety or employment legislation.

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<sup>8</sup> Blackburn, R. Hart, M. (2002) Small firms' awareness and knowledge of individual employment rights, *Employment Relations Research Report No. 14*, London: Department for Trade and Industry.

**Table 2.2: Summary of compliance attitude**

Market Research	health and safety	Employment
Confidence in compliance	95%	90%
Attitude to compliance	52%	71%
Regularity of issues (once or more per month)	26%	10%
Use of insured advice	28%	53%

Source: National market research

The Market Research found that employment and health and safety compliance are more likely to be reviewed as and when needed than on a regular basis. This confirms a reactive rather than proactive attitude amongst SMEs in the UK towards these types of issues. When breaking it down between health and safety or employment, health and safety is more likely to be reviewed on a regular basis; 52% of SMEs review when needed as opposed to 48% on a regular basis; while for employment issues 71% of SMEs review when needed as opposed to 29% who regularly review.

SMEs indicated that health and safety issues tend to occur more frequently than employment issues (26% have queries on a monthly basis for health and safety, compared with 10% for employment). So while health and safety is more likely to be reviewed on a regular basis, and issues occur on a more frequent basis, it seems that the use of insured advice amongst businesses in the market is lower for health and safety related issues compared to employment issues. From open ended questions in the Market Research demand for insured advice was mostly for redundancy (specifically mentioned by 9%) and disciplinary issues (mentioned by 6%).

The high levels of confidence in compliance and relatively low frequency of health and safety and employment issues, combined with price sensitivities discussed earlier suggests that SMEs are unlikely to see an immediate need for insured advice. These findings indicate that SMEs' attitude to compliance is a significant factor in limiting uptake of insured advice services. Therefore, since the majority of businesses have a reactive attitude to compliance, they are unlikely to see a need for insured advice until the business increases in size (which is when they are most likely to have these issues). Businesses in the 50 plus employee size group have the highest frequency of issues, but are also the least likely to use external advice (after businesses with zero employees) as they may also have access to internal HR specialists.

## 2.2 Which SME segments have the most demand?

A further possibility investigated by both the Market Research and Awareness Raising was that there may be an element of unmet demand in the insured advice market. To test this hypothesis, the Market Research asked SMEs about their likelihood of using insured advice in the future. This was in addition to establishing an understanding of how frequently issues occur that would result in a business requiring advice. The Awareness Raising also aimed to investigate any potential demand in the SME market by raising awareness and improving access to currently available insured advice services.

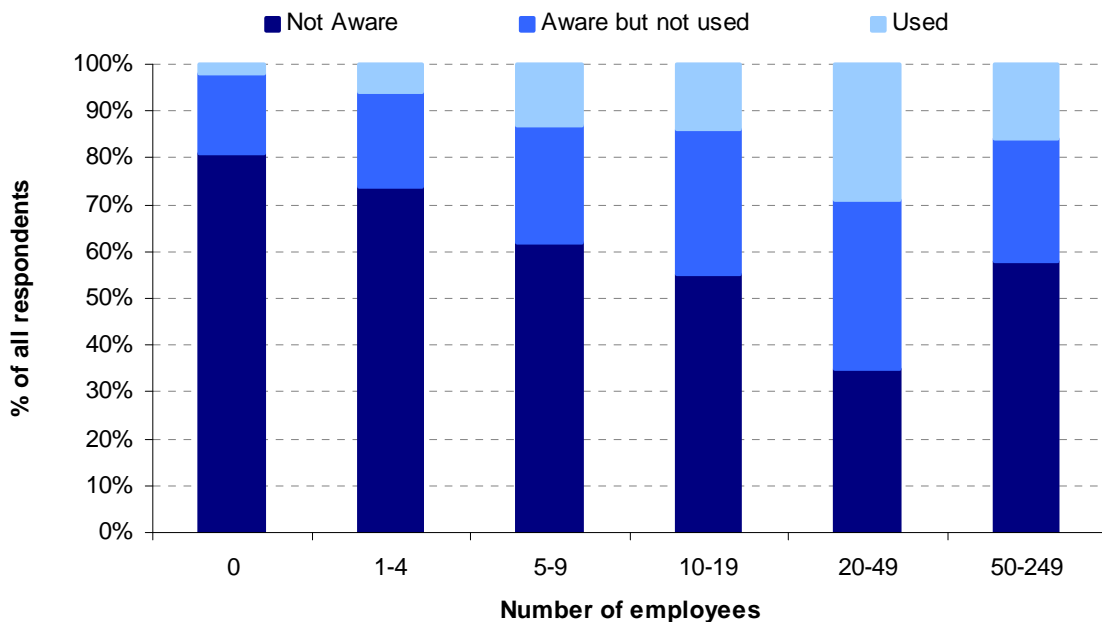
### Likelihood of insured advice use

The Market Research found that 3% of all SMEs had used insured advice, 19% were aware of insured advice but had not used it and 78% were not aware of insured advice. Figure 2.3 shows that use of insured advice rises with firm size to the group 20-49 where 29% had used insured advice. As seen in other sections the SMEs in the larger group 50-249 were less likely to have used insured advice than medium sized SMEs.

Around a third of businesses consider that they would be likely to use insured advice in the future if the need arose. Businesses which were previously aware of insured advice considered themselves more likely to use it in the future than those which were previously unaware, suggesting that some SMEs build progressively towards a decision to use insured advice. However this decision is likely to be linked to additional factors, such as size of business and the subsequent need, rather than purely awareness of insured advice.

The Market Research found that a third of businesses would be likely to use insured advice in the future if the need arose. The SMEs that felt they had the greatest need for insured advice were larger businesses with between 20-49 employees but those without employees were least likely.

**Figure 2.3: Awareness and use of insured advice by SME size**



Source: National Market Research

In the Awareness Raising, those businesses previously aware of insured advice considered themselves more likely to use it in the future at 39% compared with 19% for those who were previously unaware. This suggests, as with the market research, that there is a greater level of interest amongst SMEs who are aware of insured advice, however overall there were no take-

ups recorded as a direct result of the pilot. Likelihood of future use is therefore improved by increasing awareness, but needs further barriers to be removed in order to convert interest into use.

### ***Dissatisfaction with current sources of external advice***

Almost half of SMEs (48%) feel that they are not able to keep up to date with regulations without using outside help. Indeed, a very small number of businesses when questioned said that they would like to use external advice but haven't (only 7 respondents in total). Therefore most companies appear to be proactive in finding advice when they require it. When asked, it was found that 63% of businesses were happy with the advice available to them. However, not all were happy with their current sources of advice and 13% felt they were dissatisfied. This implies that there are a small proportion of businesses who would welcome the opportunity to try a new form of business advice. Insured advice may better suit these businesses' requirements if any other concerns or barriers to its use are overcome.

When companies do look externally, the majority use free services and overall the view of external business advice is that it ensures compliance with legislation, with 100% of respondents citing that external advice will make them 'confident' of ensuring compliance. Those who use paid for services are more likely to be 'very confident' of compliance, but remain in the minority compared with the smaller businesses that mainly use free or internal advice.

### ***Confidence in compliance***

Section 2.1 showed that the majority of businesses felt confident in their compliance, with very little variation between SME size groups. The proportion of SMEs in the UK not confident with their compliance (as found by the Market Research) is 3% for employment (when taking into account all businesses with one or more employees) and also 3% for health and safety legislation.

When comparing the confidence in compliance of insured advice users with non-users, there appears to be a split in confidence levels for employment compliance between insured advice users, external advice users and businesses with no external advice, e.g. internally sourced advice such as colleagues (Table 2.3).

**Table 2.3: Confidence in complying with employment legislation**

Type of advice used	Proportion of SMEs with 1-250 employees who feel confident
Insured advice	97%
Other external advice	90%
No external advice	90%

Source: National market research

Further analysis of this difference to identify if insured advice is responsible for the increase in confidence between users and non-users would be interesting; including whether insured advice as a factor can be separated from others such as size and region for the business. Additionally, it could be worth

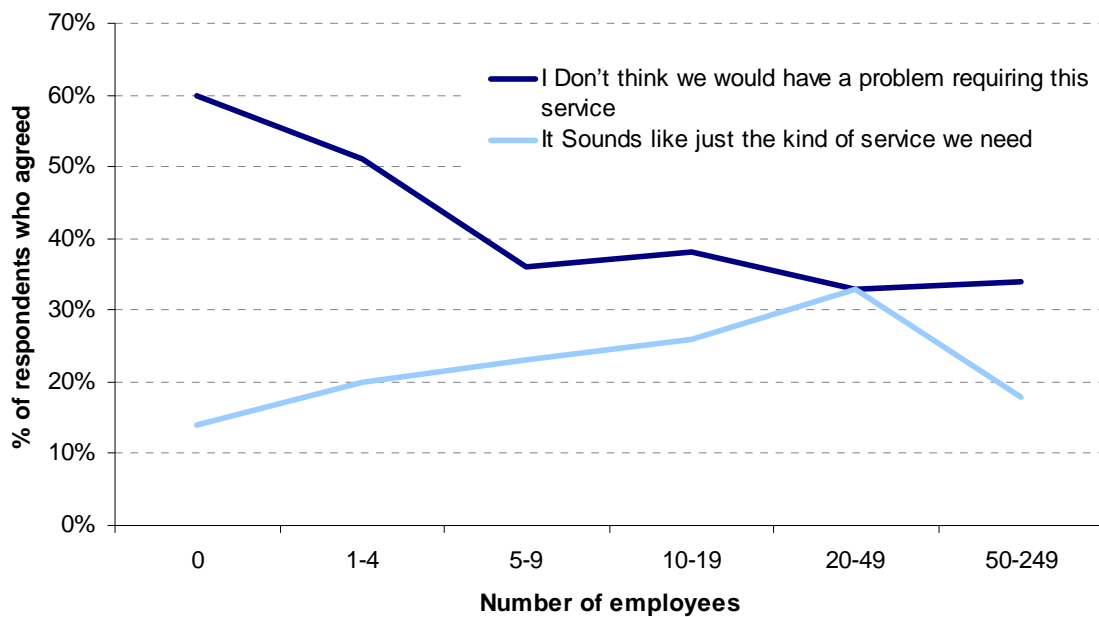
investigating the 16% of businesses who feel that their plans to grow have been affected by their concerns over employment legislation, in order to see if insured advice has a positive impact on their confidence in compliance with employment legislation in the future.

Overall, it would appear that SMEs' confidence in compliance with employment and health and safety legislation is high, and therefore the majority of businesses believe that they have access to the advice they need. It may be the case that a proportion of these businesses are overly confident, in effect 'not knowing what it is they don't know', which may give an overall higher rate of compliance than exists in reality. However, the overall effect is that the majority of SMEs do not feel an immediate need to take further action to ensure compliance with health and safety and employment legislation. Those businesses which are not currently confident are more likely to be smaller businesses, and businesses without employees are more likely not to be confident about employment legislation compliance.

### **Need**

When interviewed in the Market Research, 56% of SMEs overall commented that they did not think they would have a problem requiring insured advice. In the Awareness Raising, when compared to the benchmark for their region, the views of SME remained consistent with this statement. There was, however, a noticeable difference in the views of SMEs as their business grew in size. This could be because of the likelihood of problems occurring that businesses perceive as requiring insured advice also increases with company size.

**Figure 2.4: SME need and demand**



Source: National market research

16% of businesses overall stated that insured advice was 'just the sort of service they needed'. This belief increased with number of employees up to a peak for the 20-49 size group (Figure 2.4), and then drops. The difference between the size groups was not large, however, suggesting that there was a general lack of belief in the benefits of insured advice to their business.

In the Awareness Raising, of those who were aware of the campaign and had not visited the website, the likelihood of them doing so was tied to a need for the service. 63% felt there was no need for their business to have advice, and so had not visited the site. This was more likely in smaller SMEs suggesting that their future actions would be driven by their business having a direct need for the service showing a reactive approach to compliance in the majority of smaller businesses.

### ***Use of external advice***

Whether or not a company is likely to use external or internal advice has a bearing on their likelihood of using insured advice. In the Market Research 50% of all respondents considered that they had never experienced an issue which required specialist employment or health and safety advice, 34% resolved the issue internally and 16% used external advice. This shows that the initial tendency is to look to deal with a problem in-house. As SMEs increase in size, the trend towards using external advice increases, until the company size reaches a certain point after which they are more likely to seek internal advice again.

This is backed up by evidence from the Market Research which shows that 69% of organisations with over 50 employees say that they have the experience in house to deal with issues, compared to less than half of businesses with between one and 20 employees. It is interesting to note that 57% of SMEs in the production sector paid for external advice, with the other sectors using it in less than 15% of cases.

Once SMEs do seek external advice, only 23% of businesses then use paid for external advice, which appears to correlate with the Anderson Review's findings that one in five (20%) have paid for advice on employment or health and safety regulation. 68% of the external advice used is free. These sources include a mix of formal and informal help including the internet (59%), HSE (42%), friends outside the business (41%), Business Link (27%) and Acas (15%).

SMEs that rely on internal advice cited beliefs that it is quicker, cheaper and less complicated. Once that step has been taken the Market Research found that those who have taken external advice in the past are then more likely to try it again in the future to resolve an issue, whether it be for employment or health and safety.

## 2.3 What is the value of insured advice compared with uninsured advice?

The Market Research and Awareness Raising interviewed SMEs to determine whether there is any evidence that insured advice would be of greater value to businesses over and above other forms of advice. The insured element of the advice is believed to be the main differentiator over other sources of business advice, and it was felt to be important to test this hypothesis from a customer's perspective.

The Market Research found that if a business had an insured advice policy it was often seen as being an addition to other forms of advice; however those who had actually used it saw it as their main source of advice. This suggests an initial scepticism in how effective insured advice may be in relation to other sources of advice, yet this seems to be overcome once the advice is used. In terms of the sources of advice for which it would substitute, 40% saw it replacing the use of solicitors, 34% banks, 15% Acas and 9% HSE. This would indicate that the free sources of advice would still be called upon as required, but more expensive sources may be called upon less.

In terms of the relative value, qualitative evidence from the Market Research suggested that insured advice is viewed as better when compared with other paid for services such as accountants, banks, trade associations and solicitors. It also scored favourably against other forms of free external advice such as government departments, Acas, HSE, local council, friends and Business Link, but generally not as favourably as when compared with paid-for services. This would suggest that the value of insured advice is seen very positively, particularly when coupled with the views of users on the quality of advice received (80% satisfied, 4% dissatisfied).

In the Awareness Raising, 29% of SMEs felt that it would not be worth paying more for the insured element of insured advice, while 24% did not see the need for advice to be insured. The view was that if external advice was paid for it would be right and ensure compliance when followed. This view reduces the value of specific insurance against litigation. The fact that none of the businesses marketed to took up insured advice immediately following the campaign could add weight to this view.

Previous research had suggested that users could find insured advice prescriptive, constraining and potentially increasing compliance burden. The Market Research found some evidence to support these views, but only in a minority of insured advice users. For example, 45% of SMEs felt that insured advice sounded like an exercise in documenting what they already do, yet only 3% of users felt that it took up too much time. Additionally, just 3% found that it meant they lost control, in that they were 'tied into doing what they say or losing [the] insurance'; however again this was mentioned as the exception, rather than the rule. 43% of SMEs were unable to offer a drawback to insured advice, while the majority of those who could (27%) cited cost as the main disadvantage.



When probing the benefits of insured advice with current users, the survey found that it provided good advice (23%) and that it helped avoid litigation, provided protection, and gave security or ensured compliance (32%). The Awareness Raising did not generate any immediate take-up of insured advice policies, and so was unable to confirm any additional benefits from using the advice.

## 2.4 Summary

- The Market Research found that overall awareness of insured advice across the UK is around 22% of SMEs and companies which employ more staff are more likely to be aware of insured advice.
- The research indicates that SMEs are confident in compliance with employment and health and safety legislation, and therefore the majority of businesses believe that they have access to the advice they need. The effect of this confidence is that SMEs do not feel an immediate need to take further action or advice for compliance.
- The Awareness Raising marketing did not stimulate any new policies being taken up as a direct result of the intervention. This would suggest that raising awareness of the market and its suppliers does not immediately increase take up, indicating that other barriers may also affect the take-up of insured advice.
- The Market Research and Awareness Raising found there was a high level of satisfaction amongst businesses that have used insured advice with the quality of advice they have received. Quality was the least frequently given factor affecting SME's decision not to use this type of advice.
- In terms of the relative value, qualitative evidence from the Market Research suggested that insured advice is viewed as better when compared with other paid for services. The Market Research found that if a business had an insured advice policy; it was often seen as being an addition to other forms of advice; however those who had actually used it saw it as their main source of advice.
- The cost of insured advice appears to be less of a barrier as businesses become larger however many SMEs underestimate the price of insured advice. Combined with the view of 59% of businesses interviewed that insured advice would be too expensive suggests that the price represented a significant barrier.
- There appears to be potential demand for insured advice in the businesses with 20-49 employees. The proportion of SMEs which thought this service would be beneficial increased with firm size but then drops in the 50+ employees category. The proportion of SMEs which were more likely to have problems that would require this service declined with firm size.

# 3. Testing the effectiveness of interventions

Chapter two discussed the outcomes of phase 1 of the pilots including the national market research and awareness raising; this chapter seeks to evaluate the effectiveness of the interventions undertaken as part of phase two of the pilots. As set out in the introduction the Open Market Campaign and No Wrong Door pilots were designed to test two models of offering insured advice to SMEs. The OMC pilot involved a £50 discount on a freely chosen provider where the NWD pilot offered 6 free months when SMEs contacted either Acas, HSE or Business Link.

The results of the OMC and NWD pilots are presented initially to inform the outcomes against the pilot objectives. The chapter then goes on to discuss the effect of offering services for free rather than subsidised and the strengths and limitations of the two intervention designs of government endorsement versus open market.

## 3.1 Open Market Campaign pilot data

The OMC pilot began accepting registrations on the 11<sup>th</sup> of January 2010 and registration closed on the 31<sup>st</sup> March 2010. During this period 1,483 SMEs in the Yorkshire and Humber region registered with the pilot (Table 3.1). By registering, these SMEs were given a Unique Reference Number which would entitle them to £50 off an insured advice policy from a list of 13 approved providers. However, as shown in table 3.1 no SMEs decided to redeem their voucher and purchase a policy.

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**Table 3.1: Open Market Campaign pilot and policy registrations**

Pilot Registrations (SMEs)	Policy Registrations (SMEs)
1,483	0

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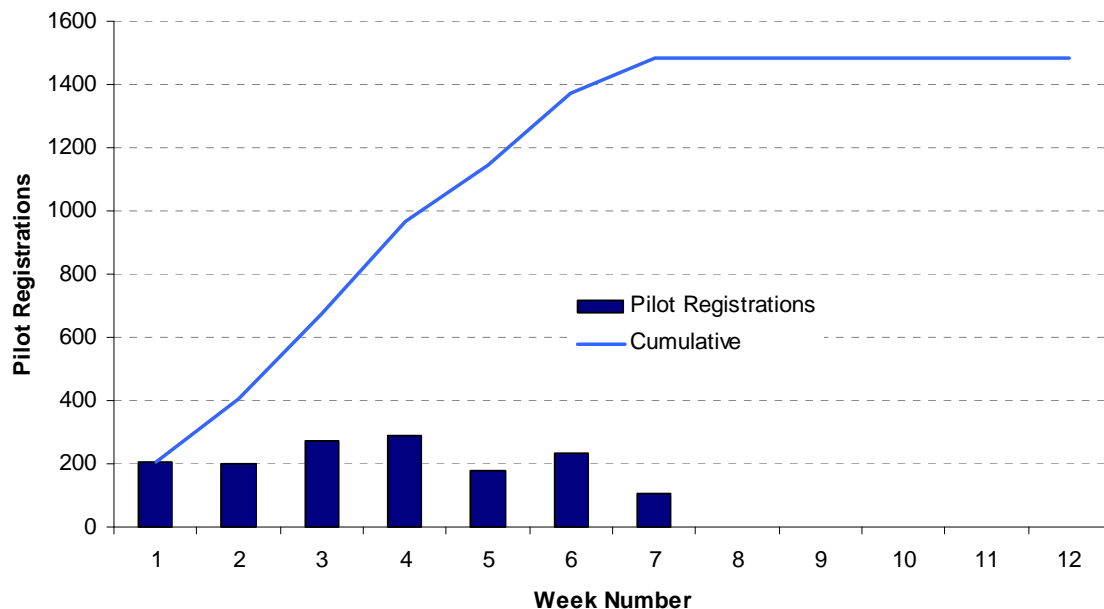
Source: Open Market Campaign administrative data

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During the registration period the number of registrations was monitored on a weekly basis. Due to the fact that there were no policy registrations by week seven the operations team, in agreement with the management board, decided to cease marketing activity at this point to but keep the registration channels open until the end of the registration period. Figure 3.1 shows the

number of registrations by week of registration period; the marketing helped to raise awareness and approximately 200 SMEs per week were registering with the pilot, however the impact on the number of registrations by the removal of marketing is clear.

**Figure 3.1: Open Market Campaign pilot registrations by week of registration**



Source: Open Market Campaign administrative data

Tables 3.2 and 3.3 give an indication of sector and size of the SMEs who decided to register with the pilot. SMEs with 1 – 4 employees were the largest group (47%) followed by 5 – 9 (23%) and 10 – 19 (14%). SMEs with 50-250 employees were the smallest group with 6% of registrations. The majority of SMEs were from the wholesale, retail and repairs sector (18%) and the hotels and restaurants sector (7%). However it should be noted that the largest group is other sectors (43%), indicating that SMEs or registration staff may have had problems identifying suitable sectors for many SMEs.

**Table 3.2: Open Market Campaign pilot registrations by SME size**

Size (number of employees)	Policy Registrations (SMEs)	% of registrations
0	10	1%
1 - 4	694	47%
5 - 9	348	23%
10 - 19	205	14%
20 - 49	139	9%
50 - 250	87	6%
<b>Total</b>	<b>1483</b>	<b>100%</b>

Source: Open Market Campaign administrative data

**Table 3.3: Open Market Campaign pilot registrations by sector**

Sector	Policy Registrations (SMEs)	% of registrations
A Agriculture	45	3%
B Fishing	9	1%
C Mining & Quarrying	2	0%
D Manufacturing	94	6%
E Electricity, Gas & Water Supply	27	2%
F Construction	73	5%
G Wholesale, Retail & Repairs	266	18%
H Hotels & Restaurants	108	7%
I Transport, Storage & Communication	49	3%
J Financial Intermediation	18	1%
K Real Estate, Renting & Business Activities	28	2%
L Public Administration & Defence	0	0%
M Education	41	3%
N Health	85	6%
O Other	638	43%
P Private Households Employing Staff	0	0%
Q Extra-Territorial Organisation and Bodies	0	0%
U Unknown	0	0%
<b>Total</b>	<b>1483</b>	<b>100%</b>

Source: Open Market Campaign administrative data

SMEs in the Yorkshire and Humber region were contacted to inform them of the pilot and how to register. This was done via email, direct mail and telemarketing and the number of SMEs contacted through these channels is shown in table 3.4. SMEs who also contacted Business Link were informed of the pilot operating in the region if the information was deemed appropriate to that business. Table 3.4 shows how the large majority of SMEs (98%) who registered for the £50 voucher heard about the pilot through the telemarketing and the direct mail and email methods were less effective.

**Table 3.4: Open Market Campaign marketing activity and pilot registrations by how the SME heard about the pilot**

	SMEs contacted through marketing	Policy Registrations (SMEs)	% of registrations
Business Link	-	2	0%
Telemarketing	30,408	1455	98%
Direct Mail	30,407	18	1%
Email	9,700	3	0%
Other	-	2	0%
Unknown	-	3	0%
<b>Total</b>	<b>70,515</b>	<b>1483</b>	<b>100%</b>

Source: Open Market Campaign administrative data

Due the effectiveness of the telemarketing in raising awareness it is unsurprising that the majority of pilot registrations occurred by telephone. There were a small number of registrations that were processed through the website only (table 3.5) where SMEs may have taken time to gather more information and consider whether to sign-up.

**Table 3.5: Open Market Campaign pilot registrations by method of registration**

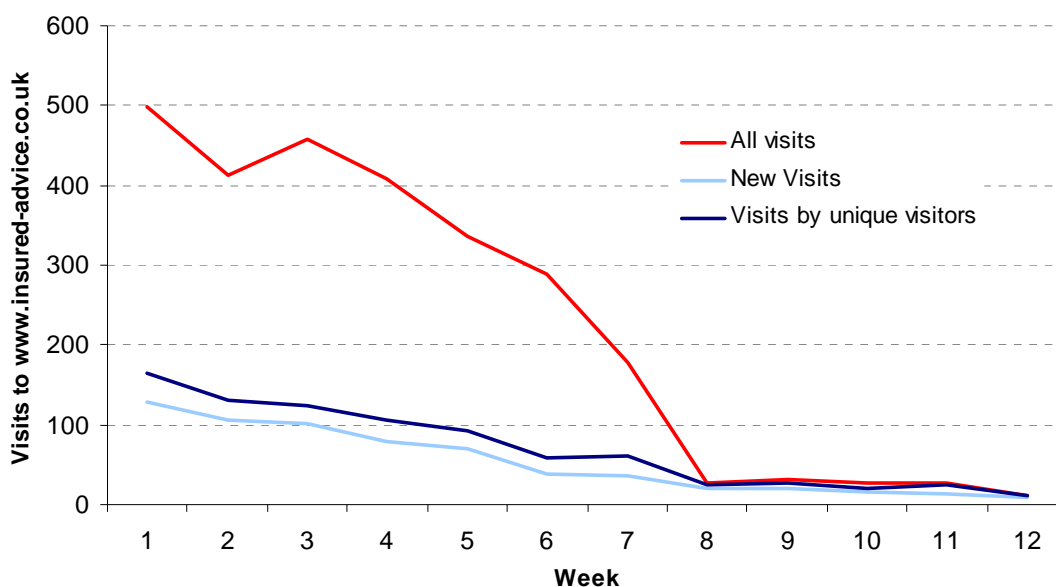
Size (number of employees)	Policy Registrations (SMEs)	% of registrations
Telephone	1368	92%
Website	115	8%
<b>Total</b>	<b>1483</b>	<b>100%</b>

Source: Open Market Campaign administrative data

Whilst only 8% of registrations occurred solely through the website there were 2,709 visits to the website during the registration window. It should however be pointed out that even if an SME was registering by the phone with a Business Link agent, the agent would be registering them on the website. Therefore the number of visits may be artificially high due to a high number of visits by Business Link agents.

The number of unique visits to the website gives a more realistic indication of the number of SMEs who visited the website for information or to register. Figure 3.2 shows the number of visits by unique visitors to the website by week of the registration period. In a similar fashion to figure 3.1 the number of visits falls when marketing activity ceased however there were still a low number of visits after this point indicating some degree of raised awareness.

**Figure 3.2: Visits to www.insured-advice.co.uk by week**



Source: Business Link Yorkshire & Humber

During the registration period there were 681 unique visitors who viewed 2.8 pages on average (table 3.6).

**Table 3.6: Open Market Campaign visits to www.insured-advice.co.uk**

	Number between 11/01/2010 and 31/03/2010
All visits	2709
Unique visitors	681
Page views	7677
Page views per visit	2.8

Source: Business Link Yorkshire & Humber

### 3.2 No Wrong Door pilot data

The NWD pilot began accepting registrations on the 11<sup>th</sup> of January 2010 and registration closed on the 31<sup>st</sup> March 2010. During this period 447 SMEs in the North West region registered with the pilot (Table 3.7). These SMEs were given the option of a free 6 month insured advice policy with one of two insured advice providers. By registering, they were randomly allocated to a provider who would then contact them to discuss the policy and whether they would like to redeem the free offer. Table 3.7 shows that of the 447 SMEs who registered with the pilot, 253 decided to accept the 6 month insured advice policy.

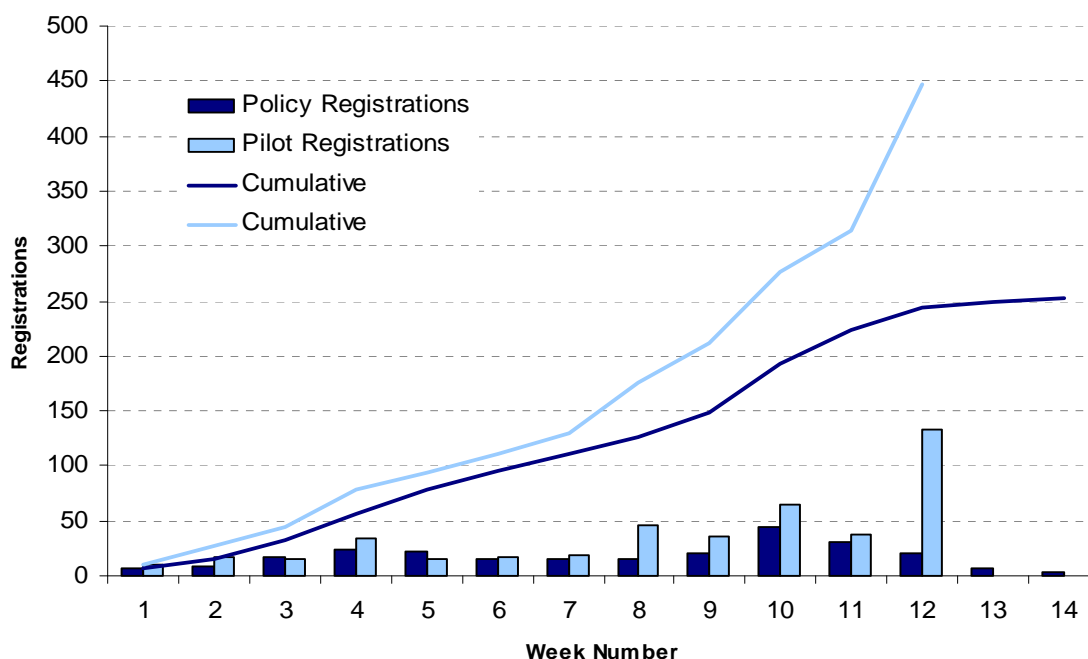
**Table 3.7: No Wrong Door pilot and policy registrations**

Pilot Registrations (SMEs)	Policy Registrations (SMEs)
447	253

Source: No Wrong Door pilot administrative data

During the registration period the number of registrations was monitored on a weekly basis. Due to the fact that there were no policy registrations by week seven in the OMC pilot the operations team, in agreement with the management board, decided to introduce some of this marketing resource to the NWD pilot. Figure 3.3 shows the number of registrations by week of registration period; the marketing helped to raise awareness and following week 7 the weekly volume of pilot registrations increased with the number policy registrations following a similar pattern but to lesser extent.

**Figure 3.3: No Wrong Door pilot registrations by week of registration**



Source: No Wrong Door pilot administrative data

Tables 3.8 and 3.9 give an indication of sector and size of the SMEs who decided to register with the pilot. SMEs with 1 – 4 employees were the largest group (37%) followed by 5 – 9 (24%) and 10 – 19 (17%). SMEs with 50-250 employees were the smallest group with 8% of registrations. This pattern was similar to the number of SMEs taking out a policy, however slightly high proportions are seen in the larger sized SMEs with 18% of policy registrations from 10 -19 employee firms, 10% from 20 – 49 employee firms and 10% from 50 – 250 employee firms.

**Table 3.8: No Wrong Door pilot and policy registrations by sector**

Sector	Pilot Registrations (SMEs)	% of pilot registrations	Policy Registrations (SMEs)	% of policy registrations
0 Employees	3	1%	2	1%
1 - 4 Employees	165	37%	87	34%
5 - 9 Employees	106	24%	59	23%
10 - 19 Employees	77	17%	46	18%
20 - 49 Employees	44	10%	25	10%
50 - 250 Employees	35	8%	26	10%
Not given	17	4%	8	3%
<b>Total</b>	<b>447</b>	<b>100%</b>	<b>253</b>	<b>100%</b>

Source: No Wrong Door pilot administrative data

The largest group of SME pilot registrations were from the wholesale, retail and repairs sector (20%) and real estate, renting & business activities sector (15%). This is similar to the policy registrations where these sectors both made up 17% of all policies, however the manufacturing and construction

sectors each also made up 11% of policy registrations. It should be noted that the “other” sectors group made up 13% of pilot registrations and 11% of policy registrations, indicating that SMEs or registration staff may have had problems identifying suitable sectors for many SMEs.

**Table 3.9: No Wrong Door pilot and policy registrations by sector**

Sector	Pilot Registrations (SMEs)	% of pilot registrations	Policy Registrations (SMEs)	% of policy registrations
A Agriculture	2	0%	1	0%
B Fishing	1	0%	0	0%
C Mining & Quarrying	0	0%	0	0%
D Manufacturing	58	13%	34	13%
E Electricity, Gas & Water Supply	0	0%	0	0%
F Construction	40	9%	29	11%
G Wholesale, Retail & Repairs	90	20%	42	17%
H Hotels & Restaurants	48	11%	22	9%
I Transport, Storage & Communication	20	4%	14	6%
J Financial Intermediation	3	1%	1	0%
K Real Estate, Renting & Business Activities	66	15%	44	17%
L Public Administration & Defence	2	0%	1	0%
M Education	16	4%	13	5%
N Health	34	8%	20	8%
O Other	56	13%	28	11%
P Private Households Employing Staff	0	0%	0	0%
Q Extra-Territorial Organisation and Bodies	0	0%	0	0%
U Unknown	0	0%	0	0%
Not given	11	2%	4	2%
<b>Total</b>	<b>447</b>	<b>100%</b>	<b>253</b>	<b>100%</b>

Source: No Wrong Door pilot administrative data

The No Wrong Door pilot was characterised by using existing government advice and guidance channels to raise awareness of the North West pilot and offer this as an option for suitable companies who had contacted Business Link, Acas or the HSE. Table 3.10 shows the pilot and policy registrations by the route that the SME had been referred to the registration team. The largest proportion of pilot registrations were through direct marketing (46%) whilst Business Link (28%) and Acas (19%) also referred large proportions of registrees.

Although the direct marketing was effective in promoting the pilot the direct government channels were more effective at targeting SMEs with a particular need for this service. This is shown by the larger proportions of policy registrations from SMEs who were referred from Acas and Business link. Of the 207 SMEs who registered through direct marketing one in five (20%) went on to register for a policy whereas 93% did so when referred by Acas and 86% by Business Link and 80% by the HSE.



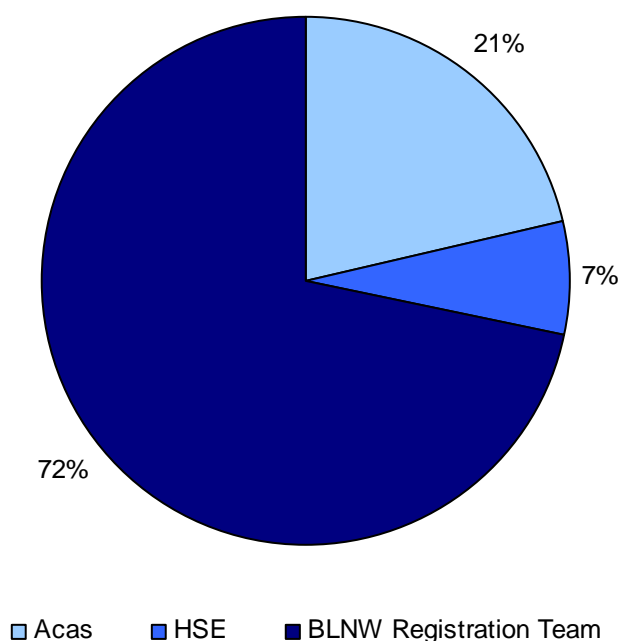
**Table 3.10: No Wrong Door pilot and policy registrations by referral route**

Referral Route	Pilot Registrations (SMEs)	% of pilot registrations	Policy Registrations (SMEs)	% of policy registrations
Business Link	125	28%	108	43%
Business Link (Remote advisor)	8	2%	7	3%
ACAS	83	19%	78	31%
HSE	10	2%	8	3%
Direct Marketing	207	46%	42	17%
Website	0	0%	0	0%
Other	12	3%	9	4%
Unknown	2	0%	1	0%
<b>Total</b>	<b>447</b>	<b>100%</b>	<b>253</b>	<b>100%</b>

Source: No Wrong Door pilot administrative data

Throughout the registration period the number of calls made to the registration line was monitored. Figure 3.4 shows that the 72% of calls were made directly to Business Link (either straight to the registration line or from another part of the organisation), whilst 21% were referred from Acas and 7% from the HSE.

**Figure 3.4: No Wrong Door pilot calls received by each organisation**



Note: Calls made from landlines only

Source: Acas, HSE and Business Link North West

From the 447 SMEs who registered with the pilot, 194 did not agree to sign-up with an insured advice policy; table 3.11 gives a summary of the reasons given to the providers who approached them. The majority did not give any

reason (40%), of those who did the most common reasons were that they were no longer interested (23%), would register at a later date (18%) or that they were not contacted by the provider (12%). It is important to note however that a large proportion of the SMEs contacted via telemarketing gave no reason or were not contactable which may have influenced the figures in table 3.11.

**Table 3.11: No Wrong Door pilot registrees by reason for not taking out a policy**

Size (number of employees)	Pilot Registrees (SMEs)	% of registrees
Already a client of either provider	3	2%
Unable to contact	4	2%
No longer interested	45	23%
Will register at a later date	34	18%
Not contacted by provider	23	12%
No URN number available	3	2%
Other reason	5	3%
No data	77	40%
<b>Total</b>	<b>194</b>	<b>100%</b>

Source: No Wrong Door pilot administrative data

From the 253 SMEs who signed up for an insured advice policy, 637 calls were made to the insured advice providers. This gives an indication of the use SMEs made of the policy during the 6 month free period. This does not necessarily indicate the level of problems as multiple calls could be made about the same issue. Table 3.12 shows that the largest number of calls was made by SMEs with fewer than 10 employees. When looking at average calls per policy, SME's with no employees and large SMEs contacted providers most often with 6 and 4.1 calls per registration respectively. It should be noted that this is a relatively small sample of businesses in each group so inferences should be treated with caution.

**Table 3.12: No Wrong Door pilot policy activity**

Size	Policy Registrations (SMEs)	Number of calls made to providers	Average calls per policy
0 Employees or not given	10	60	6.0
1 - 4 Employees	87	169	1.9
5 - 9 Employees	59	142	2.4
10 - 19 Employees	46	93	2.0
20 - 49 Employees	25	66	2.6
50 - 250 Employees	26	107	4.1
<b>Total</b>	<b>253</b>	<b>637</b>	<b>2.5</b>

Source: Peninsula-UK; Forum of Private Business

Following the 6 month period of the policy, SMEs were approached by the provider that they had been with to enquire whether they would like to continue with a policy offered by the provider. Table 3.13 shows that 6 months after the end of the registration period 12 of the 253 SMEs had decided to renew their policy. All but one were in SMEs with between 1 - 20 employees. This is in contrast to the finding from the Market Research which suggested

the perceived need for insured advice peaked at businesses with 20 - 49 employees. However, the overall numbers of businesses renewing in the NWD pilot was small. As the data was collected soon after the 6 month period, it does not include any SMEs who may have renewed or taken out an insured advice policy between then and the publication of this report.

**Table 3.13: No Wrong Door pilot policy renewals**

Size	Policy Registrations (SMEs)	Policy Renewals
0 Employees	10	0
1 - 4 Employees	87	4
5 - 9 Employees	59	4
10 - 19 Employees	46	3
20 - 49 Employees	25	0
50 - 250 Employees	26	1
<b>Total</b>	<b>253</b>	<b>12</b>

Note: Data was collected at 6 months after the closure of the pilot registration window. This does not include SMEs who may have renewed or taken out an insured advice policy between then and the publication of this report.

Source: Peninsula-UK; Forum of Private Business

### 3.3 What is the effectiveness of pilot interventions – process and cost

The data shown throughout the report so far indicate that there is little unmet demand for insured advice from the market research and awareness raising and this has also been demonstrated through the low take-up in the two pilot interventions.

The pilot interventions were effective in meeting their objectives of thoroughly testing SME awareness of insured advice and whether interventions to raise awareness were effective. The No Wrong Door (NWD) pilot removed the key barrier of cost to understand whether this was a major barrier and aimed to address any possible concerns over quality through government endorsement. The following sections will discuss the outcome of these pilots and the effect of each process and the removal, or reduction, of the cost of insured advice.

#### **Process**

The two pilots used deliberately different processes for offering insured advice as an option to SMEs and the results show clear distinctions with the number of people who felt this was a good option for their business. The Open Market Campaign stimulated interest in the offer with over 1,400 pilot registrations but none of these businesses decided to pay for the full policy. On the other hand the No Wrong Door pilot had less people register with the pilot but a higher proportion felt this service was suitable and decided to register for an insured advice policy. Whilst these results also indicate that cost is likely to be a major factor in SME's decisions, there are important findings from the pilots in regards to the processes used.

To fully evaluate the effectiveness of the pilots, quantitative research was originally planned to investigate the reasons why SMEs either accepted or rejected the offers. Due to the smaller number of SMEs who registered with the pilot than anticipated quantitative research was not possible. Therefore in order to investigate these issues qualitative research was conducted with 10 SMEs who had taken up an insured advice policy, 9 SMEs who had rejected the offer and 8 interviews also took place with a group of SMEs who were contacted in the market research but were not part of the pilots.

These interviews are not fully representative of all the SMEs who took part in the pilots or of the opinions of SMEs in general. They do however help to understand the reasons for the level of take-up that was seen in the pilots. SMEs gave a range of factors that contribute to their attitude to insured advice and their purchasing decision. These included:

- Need
- Cost
- Relevance
- Access to experts
- Ability to be compliant
- Knowledge of my business
- Taking responsibility
- Time saving

In terms of the processes SME underwent in the pilot, many SMEs indicated that the extent to which the factors listed above were communicated was an important factor in itself. The OMC pilot relied heavily on the promotion of insured advice through various marketing methods; the research suggests that the methods used may have impacted negatively on take-up. Some SMEs interviewed felt that they did not have a proper chance to review what was involved and that they would have preferred more detail in writing before making a decision. The SMEs interviewed also expressed their view that the benefits of insured advice were not conveyed effectively. For example, one of the main benefits of insured advice that was communicated was the protection you would receive if taken to an employment tribunal. However, this was seen as not being relevant to the SMEs interviewed as they saw this as being a very unlikely prospect. In this light the marketing could have been improved by emphasising the day to day benefits that may be felt by SMEs.

Prior to the closing of the registration period in the OMC pilot a telephone survey of SMEs who had registered took place. When the survey was undertaken it was clear that the number of SMEs redeeming their £50 voucher was much less than anticipated and the survey aimed to investigate what the reasons for this may have been. The survey found that the process SMEs had been through gave the majority (60%) a clear set of information on what insured advice was. The main reasons given for not purchasing a policy were that the SME “didn’t think it was for a business like ours” (31%), that the SME had “no need for advice to be insured” (24%) and that they had “no need for advice” (20%).

SMEs were asked what action they took following registration, 43% read the confirmation email, 24% discussed taking up the offer with colleagues, 19% visited the website but 18% did none of the above. Of those who visited the website (which SMEs were required to do to obtain details of insured advice providers) 21% reviewed the pages of providers offering the insured advice but only 7% went on to visit the specific provider's websites. A large proportion of SMEs stated that they "had a look around the site so knew what was available" (23%) or "had a quick look, got confused and left" (17%).

These statistics give an indication that businesses did not feel that the service would benefit their business and that the process that they went through provided the information for them to come to this decision. There is a possibility that the number of steps involved and the time an SME would have to invest in reviewing each provider may have been a factor in the decision to register. However this is something that was not directly measured.

The process in the NWD pilot differed significantly from the OMC pilot and yielded different results. Of the 447 SMEs who registered their interest in the pilot 253 then went on to sign up to a full 6 month policy and the process by which the offer was made is likely to have influenced the number of registrations. SMEs interviewed as part of the qualitative research were positive about the referral process as they were already thinking about a topic or had an issue to deal with. In addition the referral was made in the context of the problem or enquiry they had originally contacted one of the organisations about. This is potentially beneficial as SMEs will immediately be able to assess the relevance of an insured advice policy to that particular problem but also it is more related to the potential day to day benefits for SMEs.

The NWD pilot gave SMEs the opportunity to discuss the insured advice policy with Acas, HSE or Business link staff thus giving them the opportunity to gain more information about the service. If the SME then decided to register with the pilot, the providers then contacted them directly. This step took the onus off SMEs to find time to research providers and also gave SMEs the opportunity to discuss policy detail directly with the provider. It is possible that these process characteristics of the NWD pilot helped locate the small number of SMEs who had a particular need for insured advice. This is reflected in the relatively high number of policy registrations to pilot registrations.

As part of the qualitative research SMEs were asked how the process and offer could have been improved. Key themes that emerged were about how the threat of being taken to tribunal was seen as too severe and unlikely. Instead, the offer of support at the end of the phone to help resolve issues quickly and easily would have been more effective. In addition SMEs felt that the tailored advice that is relevant to their business could have been more emphasised and the time saving benefits made more prominent.

### **Cost**

As discussed in chapter 2, the market research and awareness raising both indicated that cost is a major factor when considering advice. The finding that many SMEs under-estimate the cost of insured advice, combined with the

view of 59% of businesses interviewed that insured advice would be too expensive suggests that the price represents a significant barrier. This barrier was evident in the results of the OMC and NWD pilots.

In the market research the average expected cost was £450 pa; SMEs who had used insured advice estimated the cost at £740 pa, while non-users expected to pay far less at £435 on average. This suggests that less well informed businesses expect insured advice to cost less than it actually does. In the OMC pilot data on the use of the website shows how SMEs may have found the cost barrier to be too high despite relatively large initial interest. For example, the website saw 681 unique visitors but the mid-registration survey showed how very few (7%) actually made contact with a provider. In the same survey the next most common reason for not purchasing a policy, behind a lack of need for insured advice, was that they thought it would be too expensive. Table A4 (Annex A) shows how there were approximately 300 unique page views for the website page giving details of providers and policy costs. As SMEs were able to obtain this basic information it is possible that cost, along with their perception of need, could have been barriers that meant SMEs did not pursue the offer further.

Cost had a big influence on the outcome of the NWD pilot as the initial use of insured advice was free for 6 months. SMEs interviewed in the qualitative research cited one of the reasons for taking up the service was that “it was free, so why not?” However it is not clear to what extent this reason applied to all SMEs. Removal of the cost barrier and the effective recruitment process through existing organisations meant the NWD pilot saw greater take-up compared with the OMC pilot. At the end of the 6 month period SMEs were approached to renew their policy and a large number of SMEs decided not to at the time of data collection. This is comparable to the OMC pilot where a number of SMEs may have been deterred by the cost of purchasing a full policy. Many of the SMEs on the pilot had positive experiences with the providers and it appears a small number of SMEs found they had an ongoing need for this service.

Whilst attempts were made to test the effect of removing the cost barrier there were confounding factors that were uncontrollable which should be considered in the context of these results. Firstly, the registration window for both pilots was in the final quarter of the financial year which can be a busy period for SMEs where they may not have the time or resources to commit to insured advice. In addition, phase 1 and phase 2 both took place in a challenging economic climate where SMEs may not see this as a priority.

### **3.4 What is the effectiveness of pilot interventions – government endorsement**

The Anderson review originally discussed potential market failures in the quality of service from insured advice providers and SMEs not being confident that existing private sector market provides the required level of service and quality. In addition the review discussed uncertainty over services – for SMEs who have not used these types of services before there may be a large

degree of uncertainty as to exactly what can be provided and how beneficial it will be. The pilot interventions tried to remove these perceived barriers by differing levels of government endorsement.

The different processes used between the pilot interventions and the implications are discussed in section 3.3. The OMC pilot marketing was sent from the Department for Business Innovation and Skills (BIS) and signed by the Director of Employment Relations and the website was clearly branded with both BIS and Business Link logos. The NWD pilot was endorsed by government to a greater extent in that it was offered through existing government agencies as a beneficial information, advice and guidance service. The NWD pilot also pre-selected two insured advice providers and the SME was contacted by only one. This was included to remove potential uncertainty about insured advice providers. In both pilots, once providers and SMEs were in contact there was no further government endorsement.

In the qualitative research when asked about the pilots and the offer, some SMEs were positive about the role of government, for example, one SME noted that it was good that government was doing something for business and another noted that the endorsement by Business Link was a good thing. During the interviews there was wider discussion about the role of government in compliance. SMEs saw the role of government as one that should ensure information is easily available, for example, if the government sets new rules then it should help businesses obey them.

Due to the small number of registrations on the NWD and OMC pilots it was not possible to fully research the attitudes of SMEs to government endorsement but the interviews did not uncover any real concerns from SMEs about government endorsement of the pilots. Although there were some concerns generally about the role of government in employment and health and safety law compliance, for example setting new rules and then not helping business comply but overall its role was generally seen as a good thing.

### **3.5 Is there a need for quality assurance in the market?**

A quality assurance process was included in the pilots whereby a random sample of calls and other means of contact between the policy holder and provider were reviewed by a group of independent specialists who assessed the quality of advice against 3 main categories; the quality of advice the relevance of advice and the clarity of communication. This process helped the operations team ensure that SMEs within the pilot were receiving a comparable service to existing insured advice products on offer outside of the pilots.

SMEs perception of the quality of insured advice is discussed in chapter 2 where overall there was a high level of satisfaction amongst businesses that have used insured advice with the quality of advice they have received. Amongst those businesses that were aware of insured advice but have not used it, quality was the least frequently given factor affecting their decision not to use this type of advice. The qualitative research also indicated that SMEs who used the service were satisfied and described how the advice was clear.

The main reasons for not renewing a policy was more related to cost and perceived need rather than as a consequence of the service they had received. This is discussed in more detail in chapter 4.

The pilot process did not uncover problems with the quality of the service being provided. This reflects findings from the Market Research and Awareness Raising whereby those that had used insured advice were less likely to cite quality as a barrier for using insured advice in the future. A greater proportion of non-users cited quality as a barrier but this was the least quoted reason and behind other barriers of perceived need and cost.

The market research indicated that a significant proportion of SMEs thought a kitemark scheme may have helped them decide whether to use insured advice. Whilst the pilots did not observe any issue with the quality of service from providers, a kitemark may help to reassure this proportion of SMEs and the small proportion who felt quality was an issue in deciding to use insured advice.

### 3.6 Summary

- Data indicates that there is little unmet demand for insured advice from the market research and awareness raising and this has also been demonstrated through the low take-up in the two pilot interventions.
- In the OMC pilot 1,483 SMEs in the Yorkshire and Humber region registered with the pilot however no SMEs decided to redeem their voucher and purchase a policy.
- The barriers of cost and perception of need are likely to have been major factors in the result of no policy registration in the OMC pilot.
- In the NWD pilot 447 SMEs in the North West region registered with the pilot and 253 decided to accept the free 6 month insured advice policy. Following the end of the policy 12 SMEs renewed their policy with their provider. The policy renewals were almost all amongst businesses between 1 and 19 employees. However, the overall numbers are small so this should be regarded with caution.
- SMEs that were referred to the pilot by Business Link, Acas and the HSE were far more likely to see a need for insured advice as demonstrated by the high conversion rate of pilot registrations to policy registrations.
- Qualitative research suggests that marketing in the OMC pilot may have impacted on take-up rates and could have been improved by emphasising the day to day benefits that may be felt by SMEs.
- SMEs interviewed as part of the qualitative research were positive about the referral process and the design of the NWD pilot appeared to be effective at locating the small number of SMEs with a need for this service.

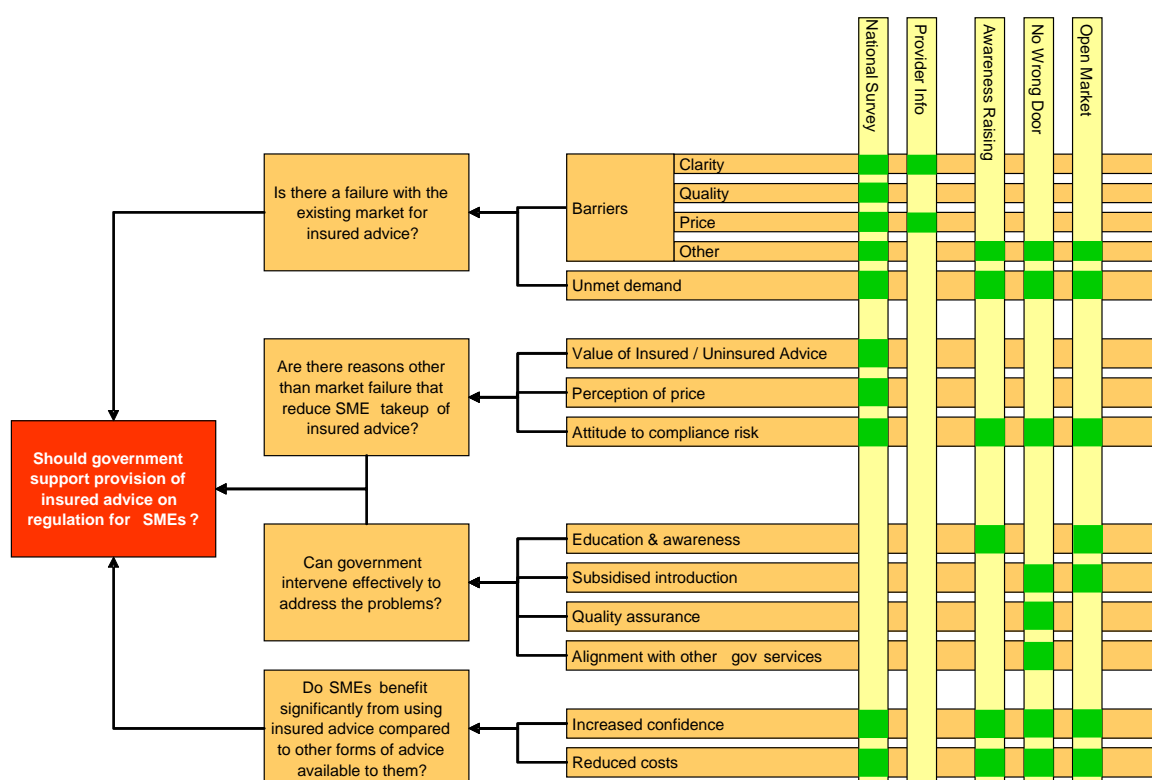


- The qualitative interviews did not uncover any real concerns from SMEs about government endorsement of the pilots. Although there were some concerns generally about the role of government in employment and health and safety law compliance its role in relation to the pilots was generally seen as a good thing.
- The pilot process did not uncover problems with the quality of the service being provided. A greater proportion of non-users, than users, cited quality as a barrier but this was the least quoted reason and behind other barriers of perceived need and cost.

# 4. Evaluation of benefits

Originally the evaluation planned to investigate the benefits SMEs may have realised by using the insured advice policy they had registered for under the two pilot interventions. Figure 4.1 shows how the various data collection and research activities relate to the overall question of the role of insured advice and the benefits it provides SMEs.

**Figure 4.1: Relationships between evaluation objectives and activities**



The possible benefits shown in the evaluation framework were:

- Removing unnecessary cost and effort to comply (primary benefit)
- Increase the % of SMEs that feel confident about how to comply (primary benefit)
- Stimulate employment levels amongst small enterprises (secondary benefit)
- Reduce the % of cases that reach Dispute Resolution and to Employment Tribunal (secondary benefit)

- Reduce the number of health and safety enforcement cases in SMEs (secondary benefit)
- Support growth of SMEs through an increased awareness of health and safety regulation (secondary benefit)
- More rapidly move SMEs from reactive to proactive compliance (secondary benefit)

As shown in the previous chapter no SMEs purchased a policy on the Open Market Campaign pilot and a small number did so from the No Wrong Door pilot. Given the results the extent to which each of these benefits can be evaluated is very limited. The following chapter will summarise the data and information on the benefits of insured advice for SMEs, referring primarily to the two primary benefits as the number of SMEs involved is not sufficient to adequately assess the secondary benefits.

Qualitative research was undertaken with SMEs who had taken out an insured advice policy, SMEs who decided not to and SMEs who took part in the phase 1 market research. In order to understand issues and potential benefits they were asked about their current attitudes to compliance with laws and regulation, the provision of information and guidance and also their experiences of insured advice. This information helps to better understand the issues employers have with information and compliance therefore enabling the benefits of insured advice to be assessed in this context.

The research highlighted a number of factors that were perceived to affect a business's level of compliance, for example, a lack of information, time and money can lead towards greater non compliance. Businesses also cited that experience of previous problems, external support, consideration of the business's reputation and the provision of HR are factors that affected a business's level of compliance.

In many cases external sources of expert advice were used to fulfil the role of a HR expert giving the business confidence and a sense of security. This can be on a continuous or "one off" basis but consultants are sometimes used during major business changes (e.g. premises changes) and not necessarily updated or reviewed regularly following this one off advice. Some SMEs were negative about the use of external consultants as they saw it as handing over too much responsibility to other people.

Businesses that primarily use their own time and resources to research compliance raised a number of issues. SMEs raised concerns that it is one thing to find out information initially but another to keep up to date on a regular basis. It was found that not all businesses have formal systems in place to enable them to keep up to date and some SMEs did not know how to find out about what they should be thinking about or acting on. Respondents had however found a way of gathering information that suited them, but they had to find it, rather than choose options available.

The interviews found there was a general perception that the basic and top-level advice and information was relatively easy to come by, but there are a number of issues about getting the information and advice they need. Some of the main issues raised include:

- Cost – external advice can be expensive
- Lack of time – Researching health and safety and employment compliance can be time consuming
- Understanding my business / does it apply to my business – Once information is found it is sometimes harder to understand how applicable it is to each business
- Facts v opinions – it is not always clear whether the advice is fact or a persons interpretation
- No single source – SMEs still feel there is no single source for employment / health and safety compliance information and advice.

Of the small number of SMEs that used an insured advice policy as part of the pilot many were positive about the experience they had. The concerns of SMEs in regards to compliance and information are briefly described above but when asked about the benefits of insured advice, these responded to many of their initial concerns. The main benefits identified by SMEs are shown in the table below.

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**Table 4.1: Actual and perceived benefits of insured advice**

In favour of insured advice
I have an issue now
I am not an expert
I want to be able to pick up the phone to someone
I want to know I am doing the right thing
Someone who understands my business
Makes me feel secure / know I am covered

Source: Qualitative research

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One of the most common benefits cited by SMEs on the pilots was that they had a specific issue that they needed specific tailored advice about. This could be due to the combination of SME's concerns about the general nature of existing advice along with reassurance that they would then be doing the right thing. SMEs spoke about the difficulty in keeping up to date with information to ensure compliance and one of the benefits SMEs referred to was the fact that they were not experts in employment / health and safety compliance and that a service like insured advice would help them feel more confident about their actions.

Chapter 3 showed that at the end of the 6 month policy period 12 out of 253 SMEs had decided to purchase a full insured advice policy. When interviewed the majority of SMEs were positive about the experience they had had during the 6 month period and many were in favour of renewal.

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**Table 4.2: Pros and cons of renewal**

In favour of renewal	Against renewal
Peace of mind	Cost (perceived or actual)
Staff provided a good service with clear advice	Now have answers to query, know what to do
Able to call and talk through issues	Unlikely to have another query
	Save money until I need to consult an expert
	Not used the service during the pilot period

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Source: Qualitative research

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Table 4.2 gives the main reasons including that the service gave them peace of mind in dealing with problems that the staff provided a good service with clear advice and that SMEs were able to talk through issues. Even though SMEs had this positive experience, reasons for non-renewal were the cost of a full policy (perceived or actual) but also that they did not necessarily see the need for ongoing assistance as their initial problem had been dealt with. This is indicated by reasons such as “unlikely to have another query” or “now I have an answer, know what to do”.

In assessing the primary benefits of removing unnecessary cost and effort to comply and increase the percentage of SMEs that feel confident about how to comply the views expressed by SMEs when interviewed indicated that these benefits could be met through insured advice. There are however barriers such as some SME’s reactive approach to information, advice and compliance that would need to be overcome. Clearly some SMEs found the benefits to outweigh the costs and purchased further assistance but it is also important to point out that decision on whether to take on this cost would have been made during a very challenging financial climate at the end of 2010.

#### 4.1 Summary

- Views expressed by SMEs when interviewed indicated that reducing cost and effort to comply and increasing confidence in compliance could potentially be met through insured advice. However, when tested during the pilots there were small levels of take-up on the NWD pilot and zero in the OMC pilot.
- Of the small number of SMEs that used an insured advice policy as part of the pilot many were positive about the experience they had and when asked about the benefits of insured advice, these responded to many of employers’ concerns about having the information and advice they needed in order to comply.
- Even though SMEs had this positive experience reasons for non-renewal were the cost of a full policy (perceived or actual) but also that they did not necessarily see the need for ongoing assistance as their initial problem had been dealt with.
- Due to the small number of SMEs registering with the pilots the benefits that there might have been could not be fully evaluated.

# 5. Conclusions

The evaluation of both phases of the pilots indicates that there is no role for government to play in the promotion of insured advice and there appears to be little unmet demand for this service. This conclusion is arrived at through the evaluation of the following pilot questions:

## 5.1 Is there a failure with the existing market for insured advice?

The Anderson Review in its assessment of the insured advice market highlighted five potential “market failures”, these were, awareness, cost, quality of service, annual subscriptions and uncertainty over services. These issues were tested throughout the process and three of the five market failures identified were not upheld when tested.

**1. Awareness** - The Market Research found that overall awareness of insured advice across the UK amongst SMEs is around 22%, with companies employing more staff more likely to be aware of insured advice. The Awareness Raising marketing did not stimulate any new policies being taken up as a direct result of the intervention. This would suggest that raising awareness of the market and its suppliers does not immediately increase take up, indicating that other barriers may affect the take-up of insured advice.

Further, the Market Research indicates that SMEs are confident in compliance and believe that they have access to the advice they need. The effect of this confidence is that SMEs do not feel an immediate need to take further action or advice for compliance.

**2. Quality** - The pilot process did not uncover problems with the quality of the service being provided. The Market Research and Awareness Raising found there was a high level of satisfaction amongst businesses that have used insured advice with the quality of advice they have received. Those that had used insured advice were less likely to cite quality as a barrier for using insured advice in the future. A greater proportion of non-users, than users, cited quality as a barrier but this was the least quoted reason and behind other barriers of perceived need and cost.

Of the small number of SMEs that used an insured advice policy as part of the pilot, many were positive about the experience they had and when asked about the benefits of insured advice, these responded to many of employers' initial concerns about their ability to comply. Even though SMEs had this positive experience reasons for non-renewal were the cost of a full policy (perceived or actual) but also that they did not necessarily see the need for ongoing assistance as their initial problem had been dealt with.

**3. Uncertainty over service** - Levels of awareness among SMEs about where to go to find information about insured advice services was mixed. The Market Research found that 55% of SMEs did not know of a company offering insured advice. 41% of interviewees did not know where to begin to look, and 42% said that they could get this from “Acas or elsewhere”. Low awareness may represent a barrier to entry for businesses looking to investigate insured advice services.

During the NWD and OMC pilots this was tested. SMEs were given full descriptions of policies and information was freely available on the pilot websites. Even though the clarity of policies was increased the pilots saw low numbers of policy registrations. These results should be considered in the context that many businesses may not see an immediate need for insured advice and if they did there are potentially barriers other than uncertainty of the service that influenced their decision.

Upheld:

**4. Cost** - Many SMEs underestimate the price of insured advice but the cost of insured advice appears to be less of a barrier as businesses become larger. The Market Research showed that 59% of businesses said insured advice would be too expensive and suggests that the price represented a significant barrier.

This barrier was evident in the OMC and NWD pilots. There were no policy registrations on the OMC pilot despite large initial interest and registration to receive a £50 voucher. There was a large amount of activity on accompanying websites but very few (7%) made contact with a provider. When surveyed the two main reasons for not progressing further were a lack of need of insured advice and that SMEs thought it was too expensive.

Removal of the cost barrier, and the effective recruitment process through existing organisations, meant the NWD pilot saw greater take-up compared with the OMC pilot. When approached to renew their policy, a large number of SMEs decided not to at the time of data collection. This is comparable to the OMC pilot where a number of SMEs may have been deterred by the cost of purchasing a full policy. However, many of the SMEs on the pilot had positive experiences with the providers and it appears a small number of SMEs found they had an ongoing need for this service.

**5. Length of subscription** - This identified that SMEs are reluctant to sign their business up to a long policy period. While the term ‘long’ could be seen to be subjective, it still elicited the most negative response in the market research with 68% of businesses agreeing they were put off by signing up to a long policy. However users of insured advice were less likely to be put off by long policy periods compared to non-users.

What is harder to evaluate is whether it is the length of subscription that is the greater barrier or whether it is the cost. As the two are closely related it has not been possible to explore this further in the OMC and NWD pilots.

## **5.2 Are there reasons other than market failure that reduce SME take-up of insured advice?**

Section 5.1 described the findings against the initial proposed market failures. Through the process other reasons emerged that may influence SMEs' decisions on whether to use insured advice. These were the value of insured advice and SMEs attitudes to compliance.

A perceived lack of need was evident at all stages of the process and this is likely to be linked to high levels of confidence and satisfaction with existing advice. In the Market Research 50% of SMEs considered that they had never experienced an issue that required specialist advice and 56% said they did not think they would have a problem requiring insured advice. When questioned on the reasons for not taking out a policy during the OMC and NWD pilots, the most commonly cited reason was that the SME did not feel the need for such a service.

Many SMEs are confident in their current level of compliance with employment and health and safety regulations. The market research showed 95% of SMEs were confident in their compliance with health and safety legislation and 90% with employment. However, qualitative interviews with SMEs on the pilot showed that when seeking information, cost and lack of time were major issues that affected their ability to gather information they need.

The Market Research found that employment and health and safety compliance are more likely to be reviewed when needed rather than on a regular basis. Health and safety is more likely to be reviewed regularly; 52% of SMEs review when needed as opposed to 48% who review regularly; while for employment issues 71% of SMEs review when needed as opposed to 29% who review regularly.

As a result of this confidence and the perceived time and cost of gathering relevant information on compliance SMEs are more likely to take a reactive approach to resolving problems. When combined with the potential barrier of cost, these issues are likely to effect SMEs' perceptions on whether they would need a service like insured advice.

## **5.3 Can Government intervene effectively to address the problems?**

The information collected throughout the pilot indicates that there is little unmet demand for insured advice and that there is no role for Government in proactively promoting this service (although information should be made available through Government information services such as Businesslink, or any successor). The reasons discussed in the sections above appear to be the main determinants of the low levels of take-up of insured advice under the pilot and the pilot process has been effective in testing the initial assumptions.

The recruitment channel used for the NWD pilot, where SMEs were offered a service in the context of their initial enquiry, was effective. As discussed



above, the reactive approach of many SMEs to addressing employment issues meant that the pilot reached SMEs at the right time. Conversely, no take-up on OMC pilot was consistent with Market Research and the Awareness Raising findings that uncovered cost and lack of need as barriers to take-up.

The pilot has been successful in better understanding the market, attitudes to risk and compliance and SMEs' requirements for information and advice. From this better understanding, in hindsight, the method of marketing and correspondence used in the pilot could have been improved. The marketing focussed on the protection policies gave holders if taken to an employment tribunal but SMEs, when interviewed, said communicating the day to day benefits of insured advice would have been more persuasive. The marketing may therefore have contributed to the perceived lack of need as many SMEs see the prospect of an employment tribunal unlikely – a perception which is supported by Tribunal statistics.

#### **5.4 Do SMEs benefit significantly from using insured advice compared to other forms of advice available to them?**

Given the lack of take-up in the NWD and OMC pilots the benefits that might have been realised by SMEs could not be fully evaluated.

Views expressed by SMEs when interviewed indicated that reducing cost and effort to comply and increasing confidence in compliance could potentially be met through insured advice. However, when tested during the pilots there were small levels of take-up on the NWD pilot and zero in the OMC pilot.

Of the small number of SMEs that used an insured advice policy as part of the pilot many were positive about the experience they had and when asked about the benefits of insured advice, these matched many of their initial concerns. Even though SMEs had this positive experience, reasons for non-renewal were the cost of a full policy (perceived or actual) but also that they did not necessarily see the need for ongoing assistance as their initial problem had been dealt with.

#### **5.5 Future policy approaches**

The results of the pilot process give valuable insights and direction to future policy-making. The pilots have provided a wide range of useful information from SMEs on their preferences for information, advice and compliance. This final section briefly describes some of the key findings from the qualitative interviews with SMEs and how these issues can be considered in future policy.

**Information and advice** – When interviewed all businesses said they used “information” to help them meet employment and health and safety requirements. A wide range of sources were mentioned in the interviews, with each interviewee mentioning 2-3 sources, typically, including Business Link, government departments and other paid for advisors. Respondents seemed to

have found the sources they need or want, but there was no resource mentioned by most of them.

There was felt to be no one place where all businesses can go and know they will find what they need – or at least be pointed in the right direction. This makes searching much more haphazard for some SMEs. SMEs were sometimes concerned that they do not know what they should be thinking about and concerned something may have been missed.

SMEs felt information is factual and consistent – and allows you to make your own decisions. The respondents agreed that this information is relatively easy to come by. However, “advice” might vary from source to source, but should be more tailored to your needs. SMEs realised that tailored advice might have to be paid for but not all would do that, and some would feel uncomfortable handing over decisions about their business to others. This does indicate some confusion as the majority of advice providers would not require a business to follow their advice.

**Compliance** – A range of factors can influence levels of compliance (both current and ongoing). These include the number of staff, the sector, the level of support and provision of information. It was found that once an “expert” is involved (internally or externally) then systems are put in place and it typically becomes more formal.

Many businesses struggle to know whether they are compliant – the “unknown unknowns”. They mentioned finding it difficult to establish what they should be doing. SMEs referred to barriers such as time, no “one stop shop” and “perceived frequent changes to rules” and have a feeling that compliance is more complicated than it needs to be. This makes compliance a stressful topic, and some avoid thinking about it too closely potentially leading to the reactive approach to resolving issues seen in the pilots.

Differences emerged about compliance with health and safety compared with employment. Health and safety compliance was seen as easier as it was more objective. It was ongoing so businesses had to “keep on top of” it, and it was felt it was easier to find out what had to be done. However, health and safety was seen as being quite paperwork intensive and can take a lot of time.

Employment law compliance was seen as a more ad hoc issue and an issue that rarely occurs. Some SMEs thought they are too small to be affected by these problems and that it was seen as a more complex and grey area of law.

These issues may be addressed through the following policy approaches:

- Greater promotion of a “one stop shop” for information and advice about employment law issues. This could be through enhancements to the government’s Business Link web service (or any successor), and more publicity for its role as a single portal for businesses. More might also be done to promote awareness of the Acas national advice line service amongst smaller SMEs.

- More tailoring of web-based content to reflect the needs of different sized businesses and the challenges each face. There appears to be demand for information and guidance to help employers deal with specific employment “events” or “problems.”
- A review of existing legal obligations to see if they can be made simpler for smaller businesses to comply with thereby saving time and reducing uncertainty. The Government is already responding to demands for regulatory simplification. It has embarked on a cross-departmental Employment Law Review which will look at different areas of employment law on a rolling basis over the lifetime of the current Parliament. There is also substantial activity on reviewing health and safety regulation. The Government’s “Red Tape Challenge” provides a systematic opportunity for businesses and others to challenge the regulatory framework generally. This is considering both health and safety and employment law.

# Annex A: Supplementary tables

## Open Market Campaign mid registration telephone survey results

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**Table A1: Open Market Campaign mid registration telephone survey results**

**Question 1 - What has been your reaction since signing up for the pilot in the call with us previously?**

a. Offer was of no further interest to our company	197	79%
b. Offer was of interest but didn't take it up	38	15%
c. Still thinking about signing up before the end of registration window (31st March)	14	6%
d. Taken up insured advice	0	0%

**Question 2 - Main reason not to purchase an Insured Advice Policy?**

a. No need for advice	50	20%
b. Thought it would be too expensive	28	11%
c. Prefer to sort things out ourselves	13	5%
d. Have to sign up for too long a period of time	3	1%
e. Didn't think it was for businesses like ours	77	31%
f. No need for advice to be insured	59	24%
g. Not worth paying more for advice to be insured	2	1%
h. Concerns about quality of the advice on offer	4	2%
i. Other (specify)	58	23%

**Question 3 - Is it clear to you in the information you have received so far what insured advice service is?**

a. Yes	101	60%
b. Neither/Nor	56	34%
c. No	10	6%

**Question 4 - Is there any more information you need about insured advice and what is being offered?**

a. Yes	8	17%
b. Neither/Nor	12	26%
c. No	26	57%

**Question 5 - We are interested to know what action businesses have taken following registering for the pilot?**

a. Visited the website	48	19%
b. Read the confirmation email	107	43%
c. Discussed taking up offer with other colleagues	59	24%
d. None of the above	45	18%

**Question 6 - Ask all those who have visited the website – What did you do when you visited the website?**

a. Review the providers offering the insured advice	31	21%
b. Take details of the providers of insured advice in order to contact them	18	12%
c. Visit one providers website	4	3%
d. Visit several providers websites	6	4%
e. Had a look round the site so knew what was available	35	23%
f. Had a quick look, got confused and left	25	17%
g. Something else (specify)	0	0%
h. N/A	31	21%

**Question 7 - All who visited the website – How useful was the website?**

a. Very useful	6	6%
b. Fairly useful	40	37%
c. Neither/nor	25	23%
d. Not very useful	3	3%
e. Not at all useful	0	0%
f. N/A	33	31%

**Question 8 - Ask all who have contacted providers – How many providers have you contacted?**

a. One	3	100%
b. Two	0	0%
c. Three	0	0%
d. Four	0	0%
e. Five or more	0	0%

**Question 9 - What is the likelihood of your business using insured advice in the future, if the need arose?**

a. Very likely	5	3%
b. Fairly likely	36	22%
c. Neither/Nor	41	25%
d. Not very likely	79	49%

## Open Market Campaign website statistics

**Table A2: Open Market Campaign repeated visits to the website**

	Visits that were the visitor's nth time	% of all visits
1 time	638	23.6%
2 times	157	5.8%
3 times	102	3.8%
4 times	84	3.1%
5 times	75	2.8%
6 times	68	2.5%
7 times	66	2.4%
8 times	67	2.5%
9-14 times	310	11.4%
15-25 times	367	13.5%
26-50 times	471	17.4%
51-100 times	260	9.6%
101-200 times	44	1.6%

Source: Business Link Yorkshire & Humber

**Table A3: Number of days between visits to the website**

	All visits	Visits by unique visitors
One visit or returned the same day	2453	667
1	35	23
2	75	42
3	20	17
4	18	17
5	10	9
6	17	17
7	5	3
8	8	5
9	1	1
10	6	6
11-15	19	18
16-20	23	23
>20	21	21

Source: Business Link Yorkshire & Humber

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**Table A4: Number of pages visited on each visit to the website**

Page visits	All visits		New visitors		Visits by unique visitors	
		%		%		%
1	939	34.7%	369	57.8%	461	40.6%
2	818	30.2%	103	16.1%	187	16.5%
3	277	10.2%	56	8.8%	115	10.1%
4	238	8.8%	33	5.2%	95	8.4%
5	124	4.6%	15	2.4%	68	6.0%
6	112	4.1%	18	2.8%	50	4.4%
7	61	2.3%	12	1.9%	44	3.9%
8	43	1.6%	8	1.3%	31	2.7%
9	21	0.8%	6	0.9%	20	1.8%
10	26	1.0%	4	0.6%	18	1.6%
11-15	32	1.2%	7	1.1%	29	2.6%
16-20	10	0.4%	3	0.5%	10	0.9%
>20	8	0.3%	4	0.6%	8	0.7%

Source: Business Link Yorkshire & Humber

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**Table A5: Number of page views by most popular pages**

	Page views	Unique page views
<a href="http://www.insured-advice.co.uk/Register.aspx">www.insured-advice.co.uk/Register.aspx</a>	2895	1615
<a href="http://www.insured-advice.co.uk">www.insured-advice.co.uk</a>	1666	1320
<a href="http://www.insured-advice.co.uk/Registration-complete.aspx">www.insured-advice.co.uk/Registration-complete.aspx</a>	1470	1093
<a href="http://www.insured-advice.co.uk/Insured-Providers.aspx">www.insured-advice.co.uk/Insured-Providers.aspx</a>	810	488
<a href="http://www.insured-advice.co.uk/FAQs.aspx">www.insured-advice.co.uk/FAQs.aspx</a>	320	242
All provider pages	370	297
Other	146	119

Source: Business Link Yorkshire & Humber

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# Annex B: Evaluation

## Methods

National Market Research and Awareness Raising survey reports are available separately on request. Key points and methodology are given below.

### National Market Research

1,152 telephone interviews were conducted with businesses with 0-250 employees across the UK. All respondents were responsible for either health and safety or employment issues in their business (or both).

Quotas were set by size (number of employees) and sector, region with England, and for Scotland, Wales and Northern Ireland. As is common with business sample design, larger businesses with more than 5 employees were deliberately over-sampled to ensure robust base sizes with these businesses and fewer interviews were conducted with those with 0 employees to compensate. This was then corrected through the weighting applied to the data at the analysis stage, at which point the results were grossed up to the 4.76 million businesses of this size in the UK.

Minimal weighting was required by either sector or country (as representative quotas were set) but the number of interviews in the East Midlands was increased by 150 interviews to 250 interviews to ensure a robust sample size. This was to allow the market study results in that region to stand as a pre-stage for the awareness raising campaign assessment which was conducted shortly after the market study. This over-sampling was corrected by weighting.

The key aspects of the sample design are reported below. They show for each of the weighting factors what a representative sample of businesses would have looked like (and this profile was used to weight the data) and the actual sample profile, adjusted to take into account the factors detailed above. With 73% of the weighted total represented by 0 employee businesses, their views will always have a significant influence on the total picture.

All fieldwork was conducted between 17th September and 23rd October 2009 by Continental Research at its telephone centre in central London. Interviews amongst businesses in the East Midlands were conducted first to ensure that views were recorded before the awareness raising mailing was sent out, so as not to affect the ability of this market study to act as a pre stage to that research.



**Table B1: National market research weighting factors – firm size**

Employee Band	East Midlands profile from benchmark	Actual profile (500 interviews)
0 employees	73%	25%
1-4 employees	18%	25%
5-9 employees	5%	20%
10-19 employees	2%	15%
20-49 employees	1%	10%
50-249 employees	1%	5%

Source: BDRC Continental

**Table B2: National market research weighting factors – sector**

Employee Band	East Midlands profile from benchmark	Actual profile (500 interviews)
A-F Production	32%	30%
G-H Wholesale/retail	22%	25%
J-K Financial, real estate	26%	25%
M-O Other services	20%	20%

Source: BDRC Continental

**Table B3: National market research weighting factors – country**

Employee Band	East Midlands profile from benchmark	Actual profile (500 interviews)
England	87%	87%
Scotland	4%	4%
Wales	6%	5%
Northern Ireland	3%	4%

Source: BDRC Continental

## Awareness Raising

500 telephone interviews were conducted with businesses with 0-250 employees in the East Midlands that had received the mailing. The person to whom the mailing was addressed was interviewed, with all respondents also responsible for either health and safety or employment issues in their business (or both). Where a named respondent was not responsible for these issues the interview was closed (only a small proportion of interviews, 27, closed at this stage).

Quotas were set by size (number of employees) and sector, to reflect the profile of businesses that received the mailing. This means that the sample profile for the awareness raising was not exactly the same as achieved overall, or within the East Midlands for the benchmark market survey (which over-sampled the larger businesses and weighted the results to be

representative of all businesses), but was an accurate reflection of those receiving the mailing. The main difference was that fewer interviews were conducted with 0 employee businesses, so comparisons to the benchmark market survey are more usefully made by size of business than at the overall level. The awareness raising results were grossed up to the 59,400 businesses that received the mailing.

The key aspects of the sample design are reported below. They show for each of the weighting factors what a representative sample of all businesses would have looked like and the actual sample profile, adjusted to reflect those receiving the mailing. The benchmark survey consisted of 1,152 interviews overall, of which 250 were in the East Midlands.

All fieldwork was conducted between the 4th and 26th of November 2009 by Continental Research at its telephone centre in central London.

**Table B4: Awareness raising weighting factors – firm size**

Employee Band	East Midlands profile from benchmark	Actual profile (500 interviews)
0 employees	73%	21%
1-4 employees	21%	46%
5-9 employees	4%	15%
10-19 employees	2%	7%
20-49 employees	1%	8%
50-249 employees	1%	3%

Source: BDRC Continental

**Table B5: Awareness raising weighting factors – sector**

Employee Band	East Midlands profile from benchmark	Actual profile (500 interviews)
A-F Production	21%	27%
G-H Wholesale/retail	23%	35%
J-K Financial, real estate	30%	18%
M-O Other services	26%	20%

Source: BDRC Continental

## Qualitative Interviews

Table B6 shows that 27 interviews were conducted with SMEs spread by firm size and whether they took up an insured advice policy (acceptor) or not (rejecter). The sample also included some businesses that had not been offered / accepted the pilot to understand how their perspective might differ.

Interviews were also spread by sector and by insured advice provider:

- 6 Agriculture/manufacturing/construction
- 9 Wholesale/retail/transport

- 12 Financial/real estate/public admin/education/health/other
- 9 acceptors/rejecters were contacted by FPB
- 9 acceptors/rejecters were contacted by Peninsula

**Table B6: Interviews conducted by firm size and pilot grouping**

Pilot Group	1-4 Employees	5-49 Employees	50-250 Employees
Acceptor	4	4	2
Rejecter	3	5	1
Non-pilot	2	3	3

Source: BDRC Continental

Respondents were interviewed by telephone during the period of August to September 2010 using a pre-agreed topic guide covering the following topics:

**Information v advice:** What is the difference between them? What does their business need, which is more of use and why? How easy is it to find relevant information/advice for their business?

**Compliance:** How do businesses come to the conclusion that they are compliant? What are they basing this on and what factors do they take in to account. How confident are they that they are as compliant as they think they are? What has/might cause them to modify their behaviour?

**Risk of non compliance:** What are the risks of non-compliance? How likely are they to get caught and what might the consequences be if they were found to be non-compliant? How does this affect the decisions they make about compliance and the time/resources spent in this area?

**Pilot scheme:** Where businesses did sign up for the pilot, why did they choose to accept the offer, how they have benefitted, whether they will continue with the policy. Where businesses were offered the pilot but declined, why?

Respondents interviewed were the person who had dealt with the pilot offer or the person who took part in the Insured Advice market study in 2009.

All were responsible for health and safety and most for employment law in their business and most had this alongside other responsibilities (business owner, part of senior management team). Only a minority had HR / health and safety as their primary role in the business

SME business experience varied. Some respondents had only ever worked for themselves / run a small business while others were part of a longstanding family business. Some had worked for larger companies before and then set up on their own / lead a management buyout, some had been doing this for over 20 years, others for 2-3 years.

This background can affect both their information/advice needs and their view of compliance

# Employment Relations

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